GLOBAL CULTURAL ENVIRONMENT AND BUYING BEHAVIOR

4

CHAPTER OVERVIEW

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5. CULTURE AND THE MARKETING MIX

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Buyer behavior and consumer needs are largely driven by cultural norms. Cultural backgrounds also influence consumers' information processing and buying motivations.[1] Managers running a company in a foreign country need to interact with people from different cultural environments. Conducting global business means dealing with consumers, strategic partners, distributors and competitors with different cultural mindsets. Cultures often provide the cement for members of the same society. A given country could be an economic basket case compared to the rest of the world, but its cultural heritage often provides pride and self-esteem to its citizens. Foreign cultures also intrigue. A stroll along Hong Kong's Nathan Road, Singapore's Orchard Road, or Shanghai's Nanjing Road reveals the appeal of Western cuisine and dress codes among Asian citizens. At the same time, cultures may also foster resentment, anxiety, or even division. When plans for Euro-Disney were revealed, French intellectuals referred to the planned theme park as a ''cultural Chernobyl.''[2] Many Japanese sumo-wrestling

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[1]For a good overview of recent research insights on how cultural backgrounds impact consumer decision-making see Donnel A. Briley and Jennifer L. Aaker, ''Bridging the Culture Chasm: Ensuring That Consumers Are Healthy, Wealthy, and Wise,'' *Journal of Public Policy & Marketing*, 25 (2006), pp. 53–66.

[2]In contrast, the Hong Kong government actively pursued Disney in the hope of setting up a Disney theme park in the territory. Hong Kong Disneyland, Disney's second theme park in Asia, opened in September 2005.

fans resent the rising prominence of foreigners like the Bulgarian Malhlyanov, better known by his sumo name of Kotooshu meaning "Zither of Europe."[3]

To be able to grasp the intricacies of foreign markets, it is important to get a deeper understanding of cultural differences. From a global marketing perspective, the cultural environment matters for two main reasons. First and foremost, cultural forces are a major factor in shaping a company's global marketing mix program. Global marketing managers constantly face the thorny issue of the degree to which cultural differences are a major factor in shaping a company's global marketing mix program. Cultural blunders can easily become a costly affair for MNCs. Some of the possible liabilities of cultural gaffes include embarrassment, lost customers, legal consequences, missed opportunities, huge costs of damage control, and tarnished brand or corporate reputations.[4] Second, cultural analysis often pinpoints market opportunities. Companies that recognize cultural norms that their competitors have so far ignored often gain a competitive edge. For instance, several Japanese diaper makers were able to steal market share away from Procter & Gamble by selling diapers that were much thinner than the ones marketed by P&G, thereby better meeting the desires of Japanese mothers.[5] (Japanese homes have less space than most European or American houses.)

Evolving trends, as mapped out by changes in cultural indicators, also lead to market opportunities that savvy marketers can leverage. Consider for a moment the opportunities created by the "little emperors and empresses" in China, who altogether provide a market of around 300 million children. Children in China impact consumption patterns in three ways: (1) they have spending power, (2) they have "pester power," and (3) they act as change agents. Giving pocket money to children is increasingly common in China. Chinese children—who are most often single children because of China's one-child policy—also have a tremendous amount of "pester power." Finally, children are important change agents for scores of new consumer products because they are often the first ones to be exposed (via friends, television) to the innovation. Capitalizing on these trends, Pepsi-Cola launched a fruit drink ("Fruit Magix") in China that targeted children.[6]

Within a given culture, consumption processes can be described via a sequence of four stages: access, buying behavior, consumption characteristics, and disposal (see **Exhibit 4-1**):

- *Access.* Does the consumer have physical and/or economic access to the product/service?
- *Buying behavior.* How do consumers make the decision to buy in the foreign market?
- *Consumption characteristics.* What factors drive the consumption patterns?
- *Disposal.* How do consumers dispose of the product (in terms of resale, recycling, etc.)?[7]

Each of these stages is heavily influenced by the culture in which the consumer thrives.

This chapter deals with the cultural environment of the global marketplace. First we describe the concept of culture, and then we explore various elements of culture. Cultures differ a great deal, but they also have elements in common. We will discuss several schemes that can be used to compare cultures. Cultural mishaps are quite likely to occur when conducting global business. As a global business manager, you should be aware of your own cultural norms and other people's cultural mindset. To that end, we

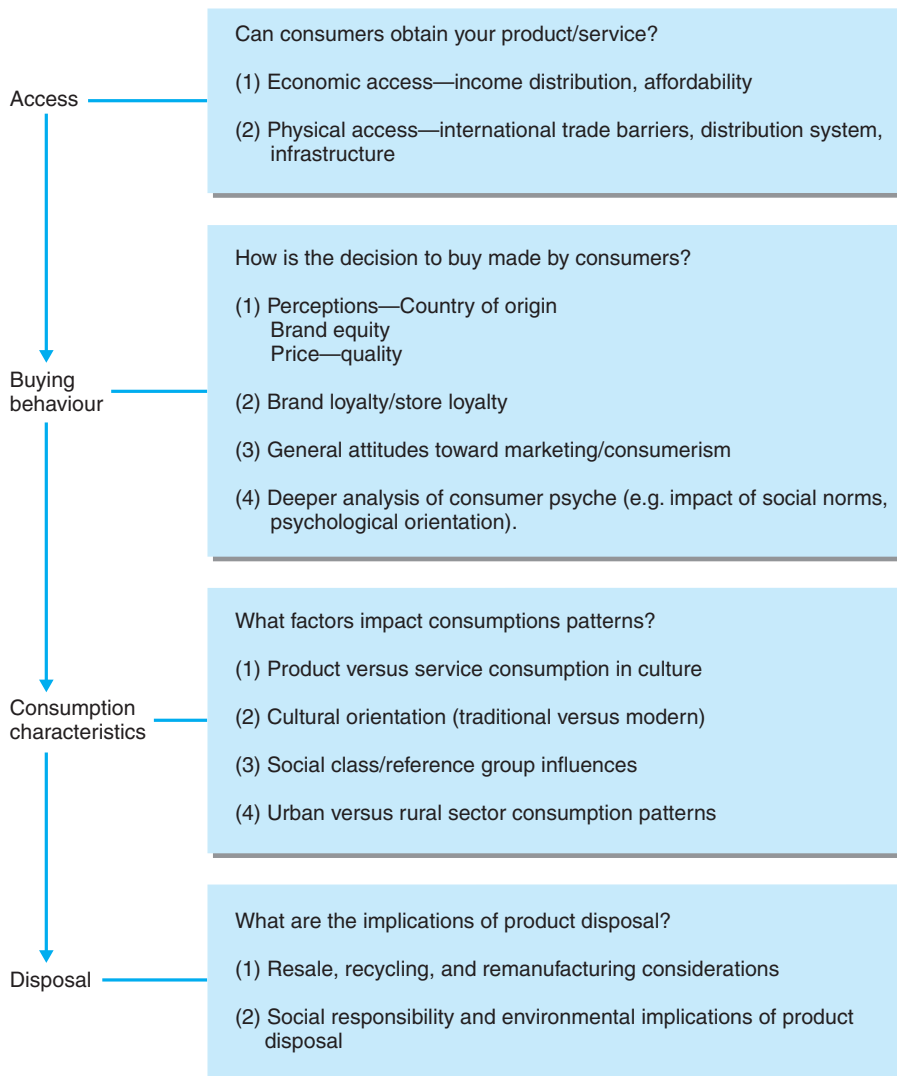[3]"Big in Bulgaria, Huge in Japan," *Financial Times*, Dec. 30/31, 2005, p. W3.

[4]Tevfik Dalgic and Ruud Heijblom, "International Marketing Blunders Revisited—Some Lessons for Managers," *Journal of International Marketing* 4, no. 1 (1996): 81–91.

[5]Alecia Swasy, *Soap Opera: The Inside Story of Procter & Gamble* (New York: Random House, 1993).

[6]Amit Bose and Khushi Khanna, "The Little Emperor. A Case Study of a New Brand Launch," *Marketing and Research Today* (November 1996): 216–21.

[7]P. S. Raju, "Consumer Behavior in Global Markets: The A-B-C-D Paradigm and Its Applications to Eastern Europe and the Third World," *Journal of Consumer Marketing*, 12 (5), 1995, pp. 37–56.

EXHIBIT 4-1
THE A-B-C-D PARADIGM

Access ————

Can consumers obtain your product/service?

(1) Economic access—income distribution, affordability

(2) Physical access—international trade barriers, distribution system, infrastructure

Buying behaviour ————

How is the decision to buy made by consumers?

(1) Perceptions—Country of origin
    Brand equity
    Price—quality

(2) Brand loyalty/store loyalty

(3) General attitudes toward marketing/consumerism

(4) Deeper analysis of consumer psyche (e.g. impact of social norms, psychological orientation).

Consumption characteristics ————

What factors impact consumptions patterns?

(1) Product versus service consumption in culture

(2) Cultural orientation (traditional versus modern)

(3) Social class/reference group influences

(4) Urban versus rural sector consumption patterns

Disposal ————

What are the implications of product disposal?

(1) Resale, recycling, and remanufacturing considerations

(2) Social responsibility and environmental implications of product disposal

Source: P.S. Raju, "Consumer Behavior in Global Markets: The A-B-C-D Paradigm and Its Applications to Eastern Europe and the Third World," *Journal of Consumer Marketing* 12, No. 5 (1995): 39. Reprinted with permission.

will discuss several ways to adapt to foreign cultures. Cultural forces shape the company's marketing mix. The chapter will also discuss the influence of culture on a firm's marketing mix policy. This chapter will primarily consider national cultures. However, organizations are also governed internally by their own organizational culture. We will look at the different types of organizational cultures that exist. We round out the chapter by looking at two very important customer management areas in a global setting, namely, global customer account management and customer relationship management.

DEFINITION OF CULTURE ◆ ◆ ◆ ◆ ◆ ◆ ◆

Culture comes in many guises. A Google search on "culture" resulted in around 469 million hits. Social scientists have not come to any consensus on a definition of culture. The literature offers a host of definitions. Wikipedia gives the following definition: "all the ways of life including arts, beliefs and institutions of a population

that are passed down from generation to generation."[8] The Dutch cultural anthropologist Hofstede defines culture as "the collective programming of the mind which distinguishes the members of one group or category from those of another."[9] Triandis, a well-known social psychologist, refers to culture as "the shared perceptions of the social environment."[10] Terpstra and David offer a more business-oriented definition:

> Culture is a learned, shared, compelling, interrelated set of symbols whose meanings provide a set of orientations for members of society. These orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable.[11]

Despite the wide variety of definitions, there are common elements that span the different formulations. First of all, people *learn* culture.[12] In other words, it is not biologically transmitted via the genes (nurture, not nature). A society's culture is passed on ("cultivated") by various peer groups (family, school, youth organizations, and so forth) from one generation to the next. Second, culture consists of many different parts that are all *interrelated*. One element (say, one's social status) of a person's culture does have an impact on another part (say, the language that this person uses). So, a person's cultural mindset is not a random collection of behaviors. In a sense, culture is a very complex jigsaw puzzle in which all the pieces hang together. Finally, culture is *shared* by individuals as members of society. These three facets—cultures being learned, shared, and composed of interrelated parts—spell out the essence of culture.

Cultures may be defined by national borders, especially where countries are isolated by natural barriers. Examples are island nations (e.g., Japan, Ireland, Australia) and peninsulas (e.g., South Korea). However, most cultures cross national boundaries. Also, most nations contain different subgroups (*subcultures*) within their borders. These subgroups could be defined along linguistic (Flemish versus Walloons in Belgium) or religious (Buddhist Sinhalese versus Hindu Tamils in Sri Lanka) lines. Few cultures are homogeneous. Typically, most cultures contain subcultures that often have little in common with one another. Needless to say, the wide variety of cultures and subcultures creates a tremendous challenge for global marketers.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ELEMENTS OF CULTURE

Culture consists of many components that interrelate with one another. Knowledge of a culture requires a deep understanding of its different parts. In this section, we describe those elements that are most likely to matter to international marketers: material life, language, social interactions, aesthetics, religion, education, and values.

Material Life   A major component of culture is its material aspect. *Material life* refers primarily to the technologies that are used to produce, distribute, and consume goods and services within society. Differences in the material environment partly explain differences in the level and type of demand for many consumption goods. For instance, energy consumption is not only much higher in developed countries than in developing nations but also relies on more advanced forms such as nuclear energy. To bridge material environment differences, marketers are often forced to adapt their product offerings. Consider, for instance, the soft drink industry. In many countries outside the United States, store shelf space is heavily restricted, and refrigerators have far less capacity (smaller kitchens) compared to the United States. As a result, soft drink

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[8]http://en.wikipedia.org/wiki/Culture, accessed October 30, 2008.

[9]Geert Hofstede, *Cultures and Organizations: Software of the Mind* (London: McGraw-Hill, 1991), p. 5.

[10]Harry C. Triandis, *The Analysis of Subjective Culture* (Oxford: Wiley-Interscience, 1972).

[11]Vern Terpstra and Kenneth David, *The Cultural Environment of International Business* (Cincinnati, OH: South-Western Publishing Co., 1991), p. 6.

[12]Some biologists have made a compelling case that culture is not a uniquely human domain in the sense that animals (especially primates) can also possess a culture. A good introduction to this perspective is Frans de Waal, *The Ape and the Sushi Master* (London: Penguin Books, 2001).

$\mathcal{G}$LOBAL PERSPECTIVE 4-1

INFILTRATING THE RURAL MARKETPLACE

Having conquered urban markets in Asia, consumer goods behemoths, such as Unilever, Procter & Gamble, and Coca-Cola, are setting their sights on the millions of potential consumers in remote, rural communities of the region.

Selling shampoo, soap, or detergents to rural consumers is often very demanding. And yet, the market opportunities offered by these consumers are tremendous. In Indonesia, 135 million people (64 percent of the population) live in areas where many of them can afford inexpensive, fast-moving consumer goods. In India, 75 percent of the population (700 million people) is spread out over 627,000 villages. India's rural market contributes almost 50 percent of Unilever's total sales in India. The share is even higher for major categories such as detergents and beverages. Fifty percent of consumer durables in India are sold in the rural markets.

Many of these villages are virtually untouched by the mass media. As one India-based advertising executive stated: "often the nearest thing to brand villagers have experienced is a home-made mud skin care product from a neighboring village." According to the same source, the two biggest barriers are the near-complete absence of a guaranteed 24-hour power supply and the road conditions. To cope with unreliable power supply, many soft drink makers have tried to develop coolers that can survive up to eight hours of power cuts. Add to these

Sources: "Marketing in the Field," *Ad Age Global* (October 2001): 8; "Village Leverage," *Far Eastern Economic Review*, August 24, 2000, pp. 50–55; "Unilever's Jewel," *Business Week International*, April 19, 1999, pp. 22–23; "Striving for Success—One Sachet at a Time," *Financial Times*, December 11, 2000, p. 9; and "Rural Consumers Get Closer to Established World Brands," *Ad Age Global* (June 2002): p. 5.

further hurdles such as high illiteracy rates, low exposure to mass media, and low incomes, and one can imagine that conventional marketing approaches are largely ineffective when reaching out to rural consumers. Instead, multinational corporations need to come up with creative and innovative tools to sell their wares.

To relay marketing messages to villagers, marketers need to resort to unconventional media. To promote its brands in rural India, Hindustan Lever (Unilever's India subsidiary) relies on vans with TV sets and satellite dishes that are set up in village squares. These vans provide local entertainment (e.g., songs from Hindu movies) along with ads for Unilever-branded products. Lever's goal is to establish a physical presence in places where villagers meet frequently such as wells and markets. Lever even uses some form of product placement in local folk performances. Local advertising agencies are asked to write a story around a Lever brand. The story is then developed into a stage performance in any one of the local dialects. Sampling can also be a very effective promotion tool, especially in places where people have never experienced products such as shampoos or toothpaste.

Besides communication, other concerns are availability and affordability. Unilever uses teams of "motorbike cowboys" and boat salesmen to sell its goods in Vietnam. Soft drink makers like Pepsi and Coca-Cola have launched 200 ml bottles priced between 10 and 12 cents in India. A battery-free radio designed by Philips for the rural market enables Indian consumers to save 1200 rupiahs (about $25) per year. Kodak India has developed a camera pack targeting India's rural consumers. Graphics on the pack visually demonstrate usage instructions.

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bottlers sell one- or one-and-a-half liter bottles rather than two-liter bottles. In markets like China and India, the road infrastructure is extremely primitive, making distribution of products a total nightmare. In India, Coca-Cola uses large tricycles to distribute cases of Coke along narrow streets.[13]

Technology gaps also affect investment decisions. Poor transportation conditions, unreliable power supply, and distribution infrastructure in many developing countries force companies to improvise and look for alternative ways to market and deliver their products. In rural areas of countries like India, conventional media are incapable of reaching the whole universe of consumers. As is illustrated in **Global Perspective 4-1,** global marketers in such countries need to come up with innovative ways to access rural consumers. Governments in host nations often demand technology transfers as part of the investment package. Companies that are not keen on sharing their technology are forced to abandon or modify their investment plans. When the Indian government asked Coca-Cola to share its recipe, Coke decided to jump ship and left the India marketplace in 1977. The soft drink maker returned to India in 1992.

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[13]"Coke Pours into Asia," *Business Week*, October 21, 1996, pp. 22–25.

Language

In developing a line of talking dolls targeted at children in China, a major hurdle for Fisher-Price engineers was the Mandarin "sh" sound, which involves a soft hiss that was difficult to encode on sound-data chips. In the end, Fisher-Price was able to resolve the issue of recording the phrase "It's learning time" in Mandarin.[14]

The Fisher-Price problem is just one illustration of many language-related challenges that international marketing managers need to wrestle with. Language is often described as the most important element that sets human beings apart from animals. Language is used to communicate and to interpret the environment. Two facets of language have a bearing on marketers: (1) the use of language as a communication tool within cultures and (2) the huge diversity of languages across and often within national boundaries.

Let us first consider the communication aspect. As a communication medium, language has two parts: the *spoken* and the so-called *silent* language. The spoken language consists of the vocal sounds or written symbols that people use to communicate with one another. Silent language refers to the complex of nonverbal communication mechanisms that people use to get a message across. Edward Hall identified five distinctive types of silent languages: space, material possessions, friendship patterns, time, and agreements. Space refers to the conversation distance between people: close or remote. The second type, material possessions, relates to the role of possessions in people's esteem of one another. Friendship patterns cover the notion and treatment of friends. Perceptions of time also vary across cultures. Differences exist about the importance of punctuality, the usefulness of "small talk," and so forth. The final type refers to the interpretation of agreements. People in some cultures focus on the explicit contract itself. In other cultures, negotiating parties put faith in the spirit of the contract and trust among one another.

Not surprisingly, a given gesture often has quite different meanings across cultures. In Japan, scribbling identifying cues on business cards is a major violation of basic business etiquette. On the other hand, foreigners (*gaijin*) are not expected to engage in the bowing rituals used for greeting people of various ranks.[15] Other examples abound of silent language forms that are harmless in one society and risky in others. It is imperative that managers familiarize themselves with the critical aspects of a foreign culture's hidden language. Failure to follow this rule will sooner or later lead to hilarious or embarrassing situations.

The huge diversity of languages poses another headache to multinational companies. Language is often described as the mirror of a culture. The number of "living" languages is estimated to be 6,912, though most of these are spoken by very few people.[16] Differences exist across and within borders. Not surprisingly, populous countries contain many languages. In India, Hindi, spoken by 30 percent of the population, is the national language but there are 14 other official languages.[17] Papua New Guinea, an island nation in the southern Pacific Ocean, has around 715 indigenous languages. Even small countries show a fair amount of language variety. Switzerland, with a population of nearly 7.5 million people, has four national languages: German (spoken by 63.7 percent of the population), French (20.4 percent), Italian (6.5 percent), and Romansch (0.5 percent).[18]

Even within the same language, meanings and expressions vary a great deal among countries that share the language. A good example is English. English words that sound completely harmless in one English-speaking country often have a silly or sinister meaning in another Anglo-Saxon country. Until fifteen years ago, Snickers bars were sold under the brand name Marathon in the United Kingdom. Mars felt that the Snickers name was too close to the English idiom for female lingerie (knickers).[19] Cert,

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[14]"Fisher-Price Talks Mandarin," *The Wall Street Journal*, June 2, 2008, p. 28.

[15]"When Fine Words Will Butter no Parsnips," *Financial Times*, May 1, 1992.

[16]http://gamma.sil.org/ethnologue, accessed on September 12, 2008.

[17]These are: Bengali, Telugu, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Sindhi, and Sanskrit. Hindustani, a mixture of Hindi and Urdu, is not an official language, though widely spoken.

[18]Note though that only the first three are official languages, http://www.cia.gov/cia/publications/factbook/geos/sz.html, accessed December 30, 2005.

[19]Masterfoods recently launched a new energy bar in the United States under the Snickers Marathon brand name.

a London-based consultant, offers a few rules of thumb about talking to non-native English speakers in English:

1. *Vocabulary.* Go for the simplest words (e.g., use the word *rich* instead of *loaded*, *affluent*, or *opulent*). Treat colloquial words with care.
2. *Idioms.* Pick and choose idioms carefully (for instance, most non-U.S. speakers would not grasp the meaning of the expression *nickel-and-diming*).
3. *Grammar.* Express one idea in each sentence. Avoid subclauses.
4. *Cultural references.* Avoid culture-specific references (e.g., "Doesn't he look like David Letterman?").
5. *Understanding the foreigner.* This will be a matter of unpicking someone's accent. If you do not understand, make it seem that it is you, not the foreigner, who is slow.

Language blunders easily arise as a result of careless translations of advertising slogans or product labels. Toshiba once had a commercial jingle in China that went "Toshiba, Toshiba." Unfortunately, in Mandarin Chinese, Toshiba sounds a lot like "let's steal it" (*tou-chu-ba*). The English version of a newspaper ad campaign run by Electricité de France (EDF), the main electricity supply firm in France, said that the company offered "competitive energetic solutions" and was "willing to accompany your development by following you on all of your sites in Europe and beyond."[20] Certain concepts are unique to a particular language. For example, an expression for the Western concept of romance does not exist in languages such as Chinese, Thai, Malay, and Korean.[21] **Exhibit 4-2** shows an example of *Chinglish*.[22] The exhibit is part of a hotel manual that one of us found in a guesthouse in Shanghai.

EXHIBIT 4-2
NOTICE TO GUESTS

1. Show the valid ID card as stated when registering with the Front Office.
2. Please don't make over or put up your guest or your relatives or your friends for the night without registering.
3. Please don't damage and take away, the furniture and equipment in the hotel or something borrowed from the Main Tower and change their usages. If happened, We will claim for damage and loss.
4. Please don't take the things which are subject to burning, explosion, rolling into the Main Tower. Please throw the cigrettend march into the ashtray when smoking in the room. Please don't smoking when lying in the bed.
5. Please don't commit illegal behaviours like gambling, smuggling, whoring, selling drugs. Please don't pick fruit and flower and vomit anywhere, Please don't take the animal and usuall smell things into the hotel.
6. Keep quiet in the hotel, please don't fight and get truck and create a disturbance in the hotel. The security department will handle the person who damage Severely, the order, endanger others' rest, even body safety, according to public security clauses.
7. Guest are advised to deposit their valuables in the Front Office safe. In case of burglary or theft, the hotel haven't responsibility for it.
8. Please don't use dangerous electrical equipment except hairdrier, shaver.
9. The service hour of the hotel is 8:00 am to 10:00 pm the visitor should leave the hotel before 11:00 pm.
10. Please pay attention to and observe all regulations of the hotel. The hotel have access to depriving the quantity of staying of the people who transgress the rules above the neglect the dissuading.

Source: Hotel manual of a guesthouse in Shanghai.

[20]"The Case of the Misleading Coffin," *Financial Times*, June 21, 1999, p. 12.

[21]Jocelyn Probert and Hellmut Schütte, "De Beers: Diamonds Are for Asia," INSEAD-EAC, Case Study 599-011-1 (1999).

[22]See http://www.pocopico.com/china/chinglish.php for some other amusing cases of Chinglish.

Mistranslations may convey the image that the company does not care about its customers abroad. Several techniques can be used to achieve good translations of company literature. With **back translation**, a bilingual speaker—whose native tongue is the target language—translates the company document first in the foreign language. Another bilingual translator—whose native tongue is the base language—then translates this version back into the original language. Differences between the versions are then resolved through discussion until consensus is reached on the proper translation.

Firms doing business in multilingual societies need to decide what languages to use for product labels or advertising copy. Multilingual labels are fairly common now, especially in the pan-European market. Advertising copy poses a bigger hurdle. To deal with language issues in advertising copy, advertisers can rely on local advertising agencies, minimize the spoken part of the commercial, or use subtitles. We will revisit these issues in much more detail in Chapter 13.

In markets such as China, marketers also need to decide whether to keep the original brand or company name or whether to adopt a localized brand identity. Many multinationals in China have localized their brand names by creating equivalent names that sound like their global name with a positive meaning in Chinese. Hewlett-Packard, for instance, adopted *Hui-Pu* as its Chinese brand name. Hui means "kindness" and Pu means "universal." Other companies take a different track and translate their name using characters that do not necessarily have the same sound as the original name. In 2002, Oracle, following a brainstorming session with its Chinese executives, adopted the name *Jia Gu Wen*. The literal translation means the recording of data and information—a nice fit with Oracle's core business. Apparently, the meaning of the phrase stems from a time when tortoise shells were used to record the prophecies from an oracle during the Shang dynasty (16th to 11th century B.C.E.).[23] **Global Perspective 4-2** discusses how language was a key driver behind the overhaul of Oracle's marketing organization.

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*G***LOBAL PERSPECTIVE 4-2**

ORACLE CORPORATION—MARKETING BY LANGUAGE

In 2000, Oracle Corporation, the leading California-based software maker, revamped its marketing organization by setting up regional teams by language instead of country-specific teams. Oracle expected that the move might save up to $100 million each year. A team based in France handles all French-language marketing in countries such as France, Belgium, Switzerland, and Canada. A Spanish-language team runs the marketing in Spain and Latin America. Teams for seven other languages—English, Japanese, Korean, Chinese, Portuguese, Dutch, and German—cover Oracle's other markets. Through this overhaul, Oracle not only hopes to save money but also to gain more consistency and control over its marketing messages. Given that Oracle is a high-technology company, localization is less of an issue. Mark Jarvis, Oracle's senior vice president, worldwide marketing, notes that: "Our product is identical in every market, and the way we sell it is identical, so why would we want local teams changing the message?"

Oracle also decided to get rid of its 60-plus country-specific websites. According to Jarvis: "Sixty-two websites are a great excuse for high costs—you need 62 Webmasters, and you have 62 opportunities to have the wrong logo, wrong tagline or wrong marketing message. All of that becomes really simple when you have one Website managed at headquarters." First-time visitors to www.oracle.com now need to register their country. They receive local information when they log in afterward. Oracle uses the Web as its key marketing tool because it is cheap, direct, and can have a much higher response rate than more traditional forms of direct marketing. One piece of direct mail that went out to 500 CEOs had a 0.1 percent response rate. Personalized e-mail targeting the same audience had a 76 percent response rate.

Source: "Marketing by Language: Oracle Trims Teams, Sees Big Savings," *Advertising Age International* (July 2000): 4, 38.

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[23]"Ancient Symbolism in a New Oracle Logo," *Ad Age Global* (May 2002): 12.

The movie *Iron & Silk* is a neat illustration of the cultural misunderstandings that arise in cross-cultural interactions. The movie is based on the true-life story of Mark Salzman, a Yale graduate who, after his studies, went to China to teach English in a Chinese village. During his first day of class, his students, out of respect for their teacher, insist on calling him "Mister Salzman." Mark prefers to be addressed on a first-name basis. Ultimately, students and teacher settle on "teacher Mark" as a compromise.

Social Interactions

A critical aspect of culture is the social interactions among people. Social interplay refers to the manner in which members of society relate to one another. Probably the most crucial expression of social interactions is the concept of kinship. This concept varies dramatically across societies. In most Western countries, the family unit encompasses the **nuclear family**, being the parents and the children. The relevant family unit in many developing countries is the **extended family,** which often comprises a much wider group of only remotely related family members. The way families are structured has important ramifications. Family units fulfill many roles, including economic and psychological support. For instance, Sri Lankan banks promote savings programs that allow participants to build up savings to support their parents when they reach retirement. Such saving programs would be unthinkable in the United States. Views on marriage and the role of husband and wife can also be unique to a particular culture. Attitudes toward love and marriage in China are far more materialistic than in most other countries. Marriage is seen as a partnership toward achieving success. Chinese women select prospective husbands based on financial status and career prospects rather than love, which is considered a luxury. Role expectations are very traditional: the man should be provider and protector; the woman should do the cooking, be a good mother, and be virtuous.[24] In countries where extended families are the norm, major purchase decisions are agreed upon by many individuals. Within such communities, members of an extended family will pool their resources to fund the purchase of big-ticket items (e.g., sewing machines).

In Chinese cultures, *guanxi* is an important form of social interaction in business contexts. *Guanxi*, which roughly means "connections," is crucial in numerous situations: negotiating a distribution deal, getting a business license, setting up joint ventures. Important forums for building up *guanxi* in China are executive education programs, where senior executives from different industries and cities can meet.[25] **Exhibit 4-3** spells out five rules that are helpful in successfully cracking the *guanxi* code.

Countries also vary in terms of the scope of the decision-making authority. A study by Asia Market Intelligence (AMI), a Hong Kong-based research firm, looked at the decision-making influence of husbands and wives on grocery shopping. The study showed that even in Asia's most conservative societies, men are heavily involved in

EXHIBIT 4-3
RULES TO START CRACKING THE *GUANXI* CODE IN CHINA

1. Be prepared to carry stacks of business cards, but don't waste time trying to swap one with every person in the room. *Guanxi* is about building trust, not a personal database.
2. Never pass up an invitation to play golf or other sports with the locals. Wine tastings and art auctions are good places to network.
3. When someone promises to "open doors" for you be suspicious. Increased transparency in China means that everybody has to jump through the same hoops.
4. Tap into your own alma mater's alumni associations in China. Even consider enrolling in local executive MBA programs.
5. In traditional *guanxi*, if someone does you a favor, one day you will have to repay (in *The Godfather* fashion). These days, however, people are more willing to give without expecting something in return.

Source: "You Say *Guanxi*, I Say Schmoozing," *BusinessWeek*, November 19, 2007, p. 85.

[24]Probert and Schütte, "De Beers: Diamonds Are for Asia," p. 11.

[25]"You Say *Guanxi*, I Say Schmoozing," *BusinessWeek*, November 19, 2007, pp. 84–85.

grocery shopping. The reasons for the rising number of men doing the family grocery shopping vary, including more women entering the workforce and changing attitudes toward gender roles.[26]

Another important aspect of social interactions is the individual's reference groups—the set of people to whom an individual looks for guidance in values and attitudes. As such, reference groups will have an enormous impact on people's consumption behavior patterns. The consumer research literature identifies three kinds of reference groups[27]: membership groups—those to which people belong; anticipatory groups—groupings of which one would like to be a part; and dissociative groups—groups with which individuals do not want to be associated. Reference groups are especially influential for consumer products that are socially visible, such as most status goods and luxury items. Knowledge on reference group patterns could provide input in formulating product positioning strategies and devising advertising campaigns. A good example is a campaign that Allied Domecq developed to reposition Kahlúa in Asia. During the Asian recession in the late 1990s, Allied Domecq wanted to revamp Kahlúa, a Mexican coffee liqueur brand, as the brand of choice among young Asians. To reach out to its target audience, Allied Domecq sponsored a dance program on MTV Networks Asia called ''Party Zone Mixing with Kahlúa.'' The prime motivation behind the sponsorship was that ''Young adults throughout Asia look to MTV as a trendsetter and representative of their lifestyle.''[28] The ''chav'' phenomenon in Britain is a good illustration of the importance of dissociative reference groups. Chavs belong to a social underclass of young, white, undereducated, and mostly unemployed individuals. Chavs have adopted the classic Burberry fashion-brand as their clan plaid, though most of what they purchase is counterfeit. Not surprisingly, Burberry is not very pleased with the popularity of its label among chavs.[29]

Aesthetics

Aesthetics refers to the ideas and perceptions that a culture upholds in terms of beauty and good taste. Cultures differ sharply in terms of their aesthetic preferences, though variations are mostly regional, not national. In the Asia-Pacific region, aesthetic expressions are driven by three principles: (1) complexity and decoration (multiple forms, shapes, and colors), (2) harmony, and (3) nature displays (e.g., mountains, flowers, trees).[30]

Aesthetics plays a major role in designing the visuals of the product, including components such as the packaging and the logo. A series of studies of the design of brand logos in Singapore and China suggested that companies should select logo designs that are elaborate (complex, depth, active), harmonious (symmetry, balance), and natural.[31]

Color also has different meanings and aesthetic appeals. This is illustrated in **Exhibit 4-4**, which shows color associations in eight different countries. As you can see, three colors—blue, green, and white—appear to convey universal meanings in all eight countries: ''peaceful,'' ''gentle,'' ''calming.'' However, other colors reveal striking cultural differences in the emotions they create. For example, black is seen as ''masculine'' in Hong Kong and the United States but ''formal'' in Brazil.[32] In Chinese

[26]''As More Women Enter Work Force, More Men Enter the Supermarket,'' *Asian Wall Street Journal* (March 8, 2001), pp. N1, N7.

[27]James F. Engel, Roger D. Blackwell, and Paul W. Miniard, *Consumer Behavior* (Hinsdale, IL: Dryden, 1986), pp. 318–24.

[28]''Kahlua Gets New Sales Face in Asia,'' *Advertising Age International,* March 8, 1999, pp. 5–6
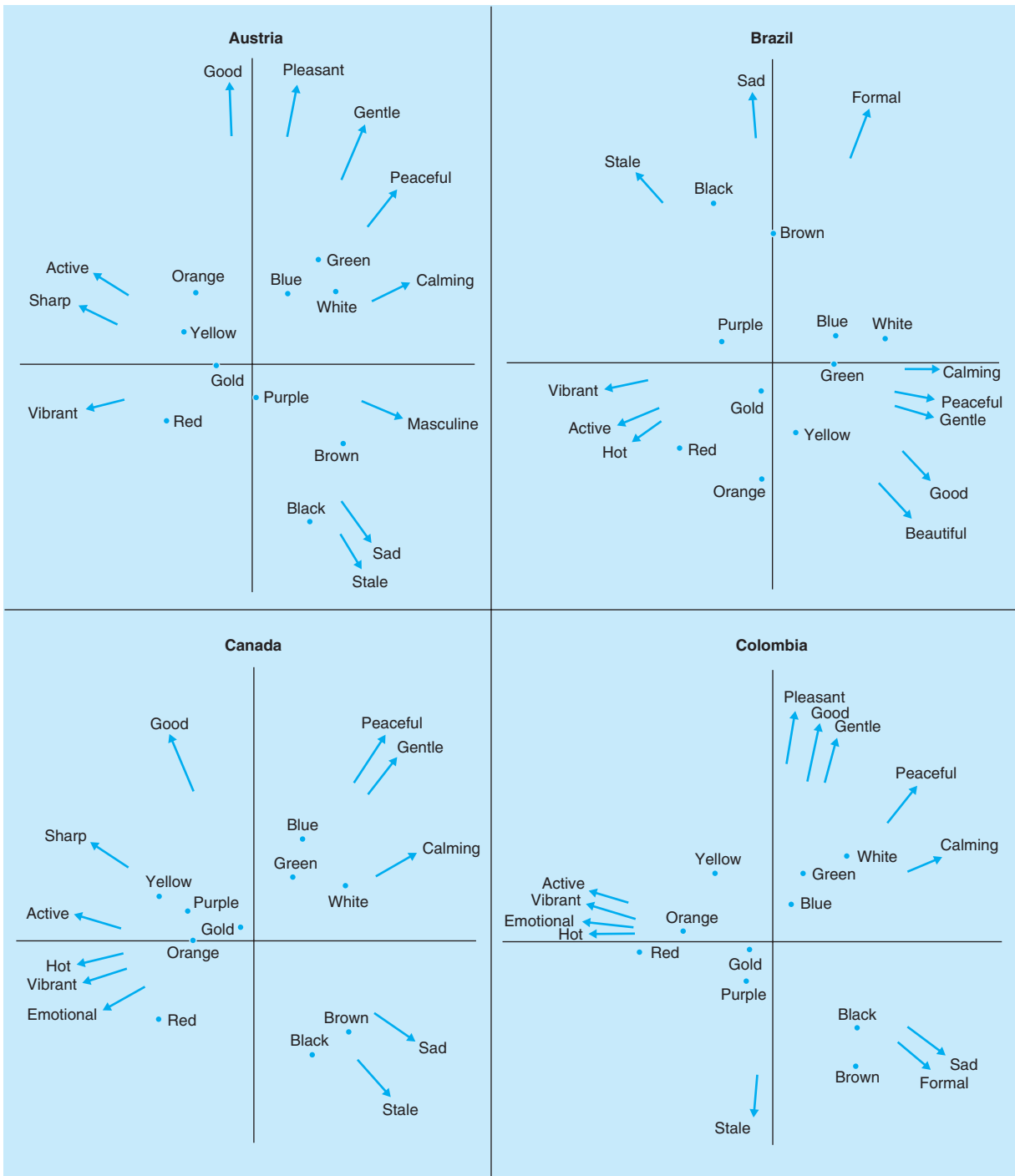
[29]http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/01/01/nchav01.xml&sSheet=/news/2005/01/01/ixhome.html

[30]Bernd H. Schmitt and Yigang Pan, ''Managing Corporate and Brand Identities in the Asia-Pacific Region,'' *California Management Review*, 38 (Summer 1994), pp. 32–48.

[31]Pamela W. Henderson, Joseph A. Cote, Siew Meng Leong, and Bernd Schmitt, ''Building Strong Brands in Asia: Selecting the Visual Components of Image to Maximize Brand Strength,'' *International Journal of Research in Marketing*, 20 (December 2003), pp. 297–313.

[32]Thomas J. Madden, Kelly Hewett, and Martin S. Roth, ''Managing Images in Different Cultures: A Cross-National Study of Color Meanings and Preferences,'' *Journal of International Marketing*, 8 (4), 2000, pp. 90–107.

EXHIBIT 4-4
THE MEANING OF COLOR

cultures, red is perceived as a lucky color. During the Beijing 2008 Olympics, many MNCs marketing in China draped their brands in red. Even Pepsi changed its iconic blue can into a red painted can for the occasion.[33] Yellow, on the other hand, is perceived as pleasant and associated with authority. In Japan, pastel tones, expressing softness and harmony, are preferred to bright colors.[34] Given that colors may invoke different meanings, it is important to realize how the colors of a particular package, product, or brand are perceived.

Food preferences and rituals (e.g., the Japanese tea ceremony) are also a form of aesthetics. Foods that are a delicacy in one country can often be repulsive in other countries. A good example is the Philippine breakfast dish *balut*: a chicken egg with a nearly developed embryo inside. Most people outside the Philippines would find it hard to eat such eggs.[35]

Religion

Religion refers to a belief in supernatural agents. Religions embrace three distinct elements: explanation (e.g., God seen as a ''first cause'' behind the creation of the universe), a standardized organization (e.g., priests, churches, rituals), and moral rules of good behavior.[36] Religion plays a vital role in many societies. To appreciate people's buying motives, customs, and practices, awareness and understanding of their religion is often crucial. When religion is an important part of a consumer's life, consumer companies should acknowledge it. In Islamic societies, companies can broaden the appeal of their brands and grow their business by engaging with Muslim consumers. For GlaxoSmithKline (GSK), gaining *halal* (religiously ''pure'') status for its Ribena and Lucozade beverages was an important step to gain clout in Muslim communities.[37]

Religious taboos often force companies to adapt their marketing mix program. When designing a reading toy called ''Storybook Rhymes'' aimed toward Turkish children, Fisher-Price ran into difficulties.[38] The toy featured a traditional Turkish poem paired with an illustration of a pig. As the pig was deemed inappropriate for a Muslim country, Fisher-Price replaced the illustrations with pictures of cats.

In numerous Asian countries, the ancient Chinese philosophy of *feng shui* (wind-water) plays an important role in the design and placement of corporate buildings and retail spaces. According to feng shui, the proper placement and arrangement of a man-made structure and its interior objects will bring good fortune to its residents and visitors. Good feng shui allows the cosmic energy to flow freely throughout the building and hinders evil spirits from entering the structure.[39] For instance, Disney decided to shift the angle of the front entrance gate to Hong Kong Disneyland by 12 degrees after consulting a Chinese feng shui master. Other measures included placing cash registers close to corners or along walls, no fourth-floor buttons in elevators (4 is bad luck in Chinese), a ballroom measuring exactly 888 square meters (8 symbolizes prosperity in Chinese cultures), and burning ritual incense whenever a building was finished.[40]

Religion also shapes the holiday calendar in many countries. A country such as Sri Lanka, with several officially recognized religions (Hinduism, Buddhism, Islam), forces a careful examination of one's calendar whenever meetings are to be scheduled. On the other hand, religious holidays often steer advertising campaigns or may open up untapped market opportunities. In many Western European countries, Saint Nicholas Day (December 6) is the key event for toy companies and candy makers. The holy month of Ramadan (the ninth month of the Muslim calendar) is also becoming an

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[33]http://www.youtube.com/watch?v=dzFuIQe88jU, accessed October 30, 2008.

[34]Bernd H. Schmitt, ''Language and Visual Imagery: Issues in Corporate Identity in East Asia,'' *Journal of World Business* (Winter 1995): 28–36.

[35]http://www.youtube.com/watch?v=RXucin9iIaE, accessed October 30, 2008.

[36]Jared Diamond, ''The Religious Success Story,'' *New York Review of Books*, November 7, 2002, pp. 30–31.

[37]''Muslims offer a new Mecca for marketers,'' *Financial Times*, August 11, 2005, p. 6.

[38]''Fisher-Price Talks Mandarin,'' *The Wall Street Journal*, June 2, 2008, p. 28.

[39]Bernd Schmitt and Alex Simonson, *Marketing Aesthetics: The Strategic Management of Brands, Identity, and Image* (New York: The Free Press, 1997), pp. 275–76.

[40]''Disney bows to feng shui,'' *International Herald Tribune*, April 25, 2005, pp. 1, 6.

increasingly commercialized event. In major Mideastern cities such as Cairo and Amman, Ramadan has a Christmas-like atmosphere these days.[41] During the 2008 Ramadan Coca-Cola ran a 60-second TV commercial dubbed ''Iftar Street''[42] in sixteen Muslim countries.[43] The spot featured two male leads being caught in a traffic jam. When they spot a Coke delivery truck, the two begin distributing Coke bottles among the rest of the commuters. As the sun sets, the group begins eating and drinking to celebrate the end of the fasting day.[44] In several Muslim countries Coca-Cola also decorated Coke cans with a crescent moon and star, well-recognized symbols in Islam, to celebrate Ramadan.

The role of women in society is sometimes largely driven by the local religion. In Islamic societies, conducting market research that involves women is extremely difficult. For instance, mixing men and women in focus groups is prohibited in Saudi Arabia. Likewise, UPS, the courier firm, only hires men in India to make delivery rounds in deference to local cultural sensibilities.[45]

Religious norms also influence advertising campaigns. In Iran, all ads need to be cleared by Islamic censors. This approval process can take up to three months. Iranian authorities frowned on one print ad created for Chiquita because they considered showing only three bananas on a full-page ad a waste of space.[46] Also in Iran, Gillette's local advertising agency had a hard time placing an ad for the Gillette Blue II razor. Islam dictates that its followers refrain from shaving. Ultimately, Gillette's account executive was able to convince the advertising manager of one local newspaper by using the argument that shaving sometimes becomes necessary, such as in the case of head injuries resulting from a car accident.[47] In Egypt, Coca-Cola's business was hampered by rumors that its logo read ''no Mohammed, no Mecca'' when read backwards and in Arabic script—a heresy for local Muslims. Coke called on Egypt's Grand Mufti, the country's most senior authority on Sunni Islam, to issue a religious opinion. The Mufti ruled that Coke was *halal*.[48] Rumors also affected Wrigley's sales in Indonesia when an e-mail circulated that claimed the company used pig extract in the manufacturing of its chewing gum products. Hush Puppies, the U.S.-based shoe brand, lost market share in Malaysia when consumers there discovered that its shoes contained pigskin.[49]

Education

Education is one of the major vehicles for channeling culture from one generation to the next. Two facets of education that matter to international marketers are the level and the quality of education. The level of education varies considerably between countries. Most developed countries have compulsory education up to the late teens. In some countries, however, especially Muslim societies, education is largely the preserve of males. As a consequence, males are often far better-educated than females in such societies. One powerful indicator of the education level is a country's illiteracy rate. In countries with low literacy levels, marketers need to exercise caution in matters such as product labeling, print ads, and survey research. One baby food company attributed its poor sales in Africa to the product label that was used. The label's picture of a baby was mistakenly thought by the local people to mean that the jars contained ground-up babies.[50]

[41]''Parts of Mideast Are Split Between Ramadan as Time for Prayer and Partying,'' *Asian Wall Street Journal*, December 5, 2002, pp. A1, A8.

[42]*Iftar* refers to the evening meal for breaking the fast during the Ramadan holiday.

[43]http://541aesthetic.wordpress.com/2008/09/16/media-hong-kong-mccann-indonesia-launches-global-coke-tvc-drive-for-ramadan/, accessed October 30, 2008.

[44]http://hk.youtube.com/watch?v=I7bsW4zdYKo, accessed on October 30, 2008, shows the Indonesian version of Coca-Cola's 2008 Ramadan TVC.

[45]''Late to India, UPS Tries to Redraw its Map,'' *Wall Street Journal*, January 25/27, 2008, p. 4.

[46]''Multinationals Tread Softly While Advertising in Iran,'' *Advertising Age International*, November 8, 1993, p. I-21.

[47]''Smooth Talk Wins Gillette Ad Space in Iran,'' *Advertising Age International*, April 27, 1992, p. I-40.

[48]''U.K. Supermarket Sainsbury Travels Mideast's Rocky Road,'' *Advertising Age International*, July 2000, p. 19.

[49]''Muslim Market Minefield,'' *Media*, February 8, 2002, pp. 16–17.

[50]David A. Ricks, *Blunders in International Business*, (Cambridge, MA: Blackwell Publishers, 1993).

EXHIBIT 4-5
CROSS-COUNTRY PERFORMANCE SCIENCE SKILLS
AMONG HIGH SCHOOL STUDENTS (PISA 2006)

Country	Mean Score on Science Scale
Finland	563
Hong Kong	542
Canada	534
Japan	531
Australia	527
Korea	522
Germany	516
United Kingdom	515
France	495
USA	489
Spain	488
Russia	479
Italy	475
Turkey	424
Thailand	421
Mexico	410
Indonesia	393
Brazil	390
Qatar	349
Kyrgyzstan	322

Source: OECD PISA 2006 database

Companies are also concerned about the "quality" of education. Does education meet business needs? Chinese software companies produce less than 1 percent of the world's software, despite the presence of many skilled programmers. One reason for the slow development of China's software industry is cultural. Managers able to supervise large-scale projects are scarce: "Chinese people individually are very, very smart but many, many people together are sometimes stupid."[51] High-tech companies operating in India face similar problems. Indian colleges produce plenty of engineering graduates but 85 percent of them according to one estimate are not ready for work after graduation.[52]

PISA is a triennial survey sponsored by the OECD that gauges skills in literacy, science, and mathematics of 15-year old students in participating countries.[53] More than 400,000 students from 57 countries took part in the 2006 survey. **Exhibit 4-5** shows how students compare in their science skills. As you can see, there are some huge differences, even among countries with a similar level of economic development. Top performers include students from Finland (563), Hong Kong (542), and Canada (534). At the bottom of the scale are Azerbaijan (382), Qatar (349), and Kyrgyzstan (322). U.S. students (489) rank in the middle—higher than their Russian counterparts (479) but below most Far Eastern and European students.[54]

Shortages in certain fields often force companies to bid up against one another for the scarce talent that is available or to employ expatriates. Many companies try to build up a local presence by hiring local people. However, a shortage of qualified people in the local market usually forces them to rely on expatriates until local employees are properly trained.

People's thought processes can also differ across cultures. Richard Nisbett, a social psychologist at the University of Michigan, has done extensive research in this area. The work is summarized in his book *Geography of Thought*. In general, East Asians (i.e., Chinese, Japanese, Koreans) tend to be more holistic, looking at the whole, making

[51]"China Takes Pivotal Role in High-Tech Production," *International Herald Tribune*, December 5, 2002, p. 2.

[52]"Wanted: Employees for India's Tech Sector," *Wall Street Journal*, July 17, 2008, p. 28.

[53]PISA stands for the Programme for International Student Assessment.

[54]See the project's website for further information and additional datasets—http://www.pisa.oecd.org.

EXHIBIT 4-6
DENTSU LIFESTYLE SURVEY

	Beijing	Mumbai	Tokyo	Singapore	Bangkok
Beliefs (% who agree with statement)					
Children should look after aged parents	67%	85%	15%	77%	78%
Parents should not rely on their children	21	11	39	9	8
Cannot say	12	5	46	14	14
Men work, women stay at home	20	37	21	26	24
Concerns (% agree)					
Personal safety	73	38	*	*	*
Economic development	70	62	48	67	87
Cost of living	60	*	56	50	62
Education and culture	46	49	*	39	49
Moral civilization	38	*	*	*	*
Health and welfare	*	48	68	55	49
Pollution	*	*	46	*	39
Employment	*	*	37	*	*
Citizens' rights	*	*	*	35	*
National security	*	50	*	*	*
Image as a nation (% agree)					
Hard working	86	59	65	65	**
Takes good care of family	63	**	**	21	31
Funny	**	53	**	**	**
Polite	41	47	30	29	38
Bad at negotiating	**	**	45	**	**
Loyal to company	**	**	42	**	**
Closed society	**	**	36	**	**
Clean	**	**	**	37	**
Appreciates nature	**	**	**	**	**
What the state must do (% agree)					
Adopt policies according to public opinion	65	56	68	50	67
Grant full social benefits	68	68	65	56	63
Regulate individual rights for greater good	47	67	11	42	51
Promote competition based on ability	33	26	25	26	38
Adopt Western systems	21	38	8	24	36
Have a strong leader push social reform	11	35	5	18	14

*Not among top five concerns.

**Not among top 10 concerns.

Source: Dentsu Institute for Human Studies.

little use of categories, clear logic. East Asians also appear to recognize multiple perspectives, contradictions, and search for a middle way. Western people, however, are more analytical in their thought processes, relying on rules, paying attention to categories and objects. Their thinking and behavior is much more rule-based (*Ten steps to . . .*) than that of East Asians.

All cultures have value systems that shape people's norms and standards. These norms influence people's attitudes toward objects and behavioral codes. Value systems tend to be deeply rooted. Core values are intrinsic to a person's identity and inner self. One study of the decision-making process made by executives from the People's Republic of China showed that even after almost four decades of communist philosophy, traditional Chinese values (e.g., saving face, long-term exchange relationships, respect for leaders) heavily influence market entry and product decisions.[55] **Exhibit 4-6** is an excerpt of a study commissioned by Dentsu, a Japanese advertising agency, on the beliefs and attitudes of Asian citizens. Note that the data were gathered between November 1996 and January 1997—prior to the start of the Asian crisis. The figures show that talk about

Value Systems

[55]David K. Tse, Kam-hon Lee, Ilan Vertinsky, and Donald A. Wehrung, "Does Culture Matter? A Cross-Cultural Study of Executives' Choice, Decisiveness, and Risk Adjustment in International Marketing," *Journal of Marketing* 52, no. 4 (October 1988): 81–95.

"Asian values" may be a bit premature—there appears to be little common ground among Asian citizens. For instance, 85 percent of Mumbai citizens agree that children should look after aged parents, compared to a mere 15 percent agreement for Tokyo citizens.

For marketers, a crucial value distinction is a culture's attitude toward change. Societies that are resistant to change are usually less willing to adopt new products or production processes. Terpstra and David (1991) suggest several useful guidelines that are helpful to implement innovations in cultures hostile toward changes:[56]

1. Identify roadblocks to change.
2. Determine which cultural hurdles can be met.
3. Test and demonstrate the innovation's effectiveness in the host culture.
4. Seek out those values that can be used to back up the proposed innovation.

From an international marketer's vantage point, a society's value system matters a great deal. Local attitudes toward foreign cultures will drive the product positioning and design decisions. In many countries, goods with American roots are strongly valued. U.S. companies are able to leverage on such sentiments by using Americana as a selling point. McIlhenny sells Tabasco with the same product label and formulation worldwide, emphasizing its American roots.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆   ## CROSS-CULTURAL COMPARISONS

Cultures differ from one another but usually share certain aspects. Getting a sense of the similarities and dissimilarities between your culture and the host country's culture is useful for scores of reasons. Cultural classifications allow the marketing manager to see how much overlap is possible between the marketing programs to be implemented in different markets. Furthermore, most cultural traits tend to be regional instead of national. For example, Walloons in French-speaking Belgium have much more in common, culture-wise, with the French than with the Flemish of northern Belgium. This section gives you an overview of the most common classification schemes.

High- versus Low-Context Cultures

One of the characters in the movie *Chan Is Missing* is a lawyer who describes a confrontation between her client who was involved in a traffic accident and a policeman at the scene of the accident. The client is a recent immigrant from mainland China. The policeman asks her client whether or not he stopped at the stop sign, expecting a yes or no for an answer. The Chinese immigrant instead starts talking about his driving record, how long he has been in the United States, and other matters that he feels are relevant. The policeman, losing his patience, angrily repeats his question. The events described in the movie are a typical example of the culture clash that arises when somebody from a high-context culture (China) is faced with a person from a low-context culture (United States).

The notion of cultural complexity refers to the way messages are communicated within a society. The anthropologist Edward Hall makes a distinction between so-called **high-context** and **low-context** cultures.[57] The interpretation of messages in high-context cultures rests heavily on contextual cues. Little is made explicit as part of the message. What is left unsaid is often as important (if not more) as what is said. Examples of contextual cues include the nature of the relationship between the sender and receiver of the message (for instance, in terms of gender, age, balance of power), the time and venue of the communication. Typical examples of high-context societies are Confucian cultures (China, Korea, Japan) and Latin America. Outsiders find high-context cultures often completely mystifying.

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[56]Terpstra and David, *The Cultural Environment of International Business,* pp. 124–125.
[57]Edward T. Hall, *Beyond Culture* (New York: Doubleday, 1977).

Low-context cultures have clear communication modes. What is meant is what is said. The context, within which messages are communicated, is largely discounted. The United States, Scandinavia, and Germany are all examples of low-context cultures. In many areas of international marketing, the distinction between high- and low-context cultures does matter. For example, in the field of personal selling, many U.S. companies like to rotate salespeople across territories. In high-context societies, where nurturing trust and rapport with the client plays a big role, firms might need to adjust such rotation policies. In the field of international advertising, campaigns that were developed with a high-context culture in mind are likely to be less effective when used in low-context cultures, and vice versa.

Recent research in social psychology also reveals key cultural differences between East (high-context) and West (low-context) in how people perceive reality and reasoning.[58] For instance, one study contrasted the eye movements of Chinese and American students scanning pictures of objects placed within surroundings. American students focused on the central object while Chinese students spent more time on the background, putting the object in context. An analysis of crime reports in newspapers found that English-language papers focus on the personality traits of perpetrators while Chinese papers stress the context (e.g., the perpetrators' background). High- and low-context cultures also differ on their view of logic. Westerners have a deep-seated distaste for contradictions. Easterners, however, appreciate them.[59]

Hofstede's Classification Scheme

The Dutch scholar Geert Hofstede developed another highly useful cultural classification scheme.[60] His grid is based on a large-scale research project he conducted among employees of more than sixty IBM subsidiaries worldwide. The first dimension is labeled **power distance**. It refers to the degree of inequality among people that is viewed as being acceptable. Societies that are high in power distance tolerate relatively high social inequalities. Everyone has his or her rightful place in society; status symbols play a vital role; the ideal boss is a benevolent dictator or a good patriarch. Members of such societies accept wide differences in income and power distribution. Examples of high power distance countries are Malaysia (PD score = 104), the Philippines (94), Latin American countries such as Mexico (81) and Venezuela (81), Arab countries (80), India (77), and West Africa (77). Low power distance societies tend to be more egalitarian. In Norway, for example, driving fines are linked to income: one drunk Norwegian driver was fined a record 500,000 kroner (around US$79,000) after having hit three parked vehicles and punched a policeman.[61] The rich and powerful in low power distance societies try to look less powerful; status symbols are frowned upon; the ideal boss is a resourceful democrat. Low power distance countries include the United States (40), Germany (35), Great Britain (35), Scandinavia (e.g., Norway and Sweden score: 31, Denmark: 18), and Israel (13).

The second dimension is labeled **uncertainty avoidance**, referring to the extent to which people in a given culture feel threatened by uncertainty and rely on mechanisms to reduce it. Societies with strong uncertainty avoidance possess a need for rigid rules and formality that structure life. What is different is threatening. Examples of countries that score high on uncertainty avoidance are Greece (112), Portugal (104), Japan (92), France (86), and Spain (86). Consumers in such countries value naturalness and freshness. The British cosmetics firm Lush is a prime example of a company that has leveraged this desire. Its stores sell cosmetics *au naturel* with the motto ''as natural as beauty gets.'' All products are sold with an expiration date. Lush has been very successful in Japan—a strong uncertainty avoidance country.[62] In weak uncertainty avoidance cultures, people tend to be more easygoing, innovative, and entrepreneurial.

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[58]''Where east can never meet west,'' *Financial Times*, October 21, 2005, p. 8.

[59]See also, Richard Nisbett, *The Geography of Thought* (New York: Free Press, 2004.)

[60]Geert Hofstede, *Cultures and Organizations*, McGraw-Hill, 1991.

[61]http://news.bbc.co.uk/2/hi/europe/3870967.stm

[62]www.lush.com

What is different is intriguing. Some weak uncertainty avoidance countries are India (40), Malaysia (36), Great Britain (35), Hong Kong (39), and Singapore (8).

The third dimension is called **individualism**. As the label suggests, this criterion describes the degree to which people prefer to act as individuals rather than as group members (''me'' versus ''we'' societies). In societies that are high on individualism, the focus is on people's own interests and their immediate family's. In such cultures, a child early on realizes that one day it will need to stand on its own feet. There is little need for loyalty to a group. In **collectivist** societies, the interests of the group take center stage. Members in such societies differentiate between in-group members who are part of its group and all other people. They expect protection from the group and remain loyal to their group throughout their lives. Individualist countries are the United States (91), Australia (90), and Great Britain (89). Collectivist countries are South Korea (18), Taiwan (17), Indonesia (14), and Venezuela (12).

The fourth distinction, **masculinity**, considers the importance of ''male'' values such as assertiveness, status, success, competitive drive within society, and achievement versus ''female'' values like a people orientation, solidarity, and quality of life. ''Masculine'' societies are those in which values associated with the role of men prevail. Cultures where people favor values such as solidarity, preserving the environment, and quality of life, are more ''feminine.'' Not surprisingly, Japan (95) is a very masculine society. Other high scorers include Austria (79), Italy (70), and Mexico (69). Thailand (34), Chile (28), the Netherlands (14), and Sweden (5) are low-scoring countries on the masculinity trait.

Follow-up research on Hofstede's work in Asia led to a fifth dimension: **long-termism**.[63] This criterion refers to the distinction between societies with a pragmatic, long-term orientation and those with a short-term focus. People in long-term-oriented societies tend to have values that center around the future (e.g., perseverance, thrift). On the other hand, members of short-term-oriented cultures are concerned about values that reflect the past and the present (e.g., respect for tradition). China (118), Hong Kong (96), Japan (80), and South Korea (75) score high on the long-term dimension. However, the United States (29), Great Britain (25), Canada (23), and the Philippines (19) score very low on this criterion.

Exhibit 4-7 (**A** and **B**) and portrays how different countries score on the various dimensions. One must be cautious when applying these schemes to global buyer behavior. It is important to bear in mind that the five dimensions and the respective country scores that were derived in Hofstede's work were not determined in a consumption context. In fact, questions have been raised about the ability of these values to make meaningful predictions about consumption patterns.[64] Countries with the same scores may have entirely different buying behaviors. Similarly, countries that have completely different scores on a given cultural dimension could have very similar consumption patterns.

Several researchers have looked at the influence of culture on consumption patterns. Luxury articles are often used as a badge of one's success. They are more appealing to members of masculine cultures than to people in feminine cultures. Indeed, one study found that the masculinity of a culture correlates positively with the ownership of expensive (more than \$1500) watches ($r = 0.56$) or multiple (>4) watches ($r = 0.53$), sales of jewelry ($r = 0.44$), and the ownership of a suit or dress priced over \$750 ($r = 0.68$).[65] These findings are also confirmed by further anecdotal evidence. According to a study done by Morgan Stanley Dean Witter, Japanese customers (including those traveling overseas) represent 88 percent of the sales of Louis Vuitton, 48 percent of Gucci, and 38 percent of Hermès. One in three Japanese women and one

[63]Geert Hofstede and Michael H. Bond, ''The Confucius Connection: From Cultural Roots to Economic Growth,'' *Organizational Dynamics* 16, no. 4 (Spring 1988): 4–21.

[64]Marieke de Mooij, *Advertising Worldwide* (New York: Prentice-Hall, 1994), p. 159.

[65]Marieke de Mooij and Geert Hofstede, ''Convergence and Divergence in Consumer Behavior: Implications for International Retailing,'' *Journal of Retailing* 78 (2002): 61–69.

EXHIBIT 4-7A
UNCERTAINTY AVOIDANCE VERSUS POWER DISTANCE
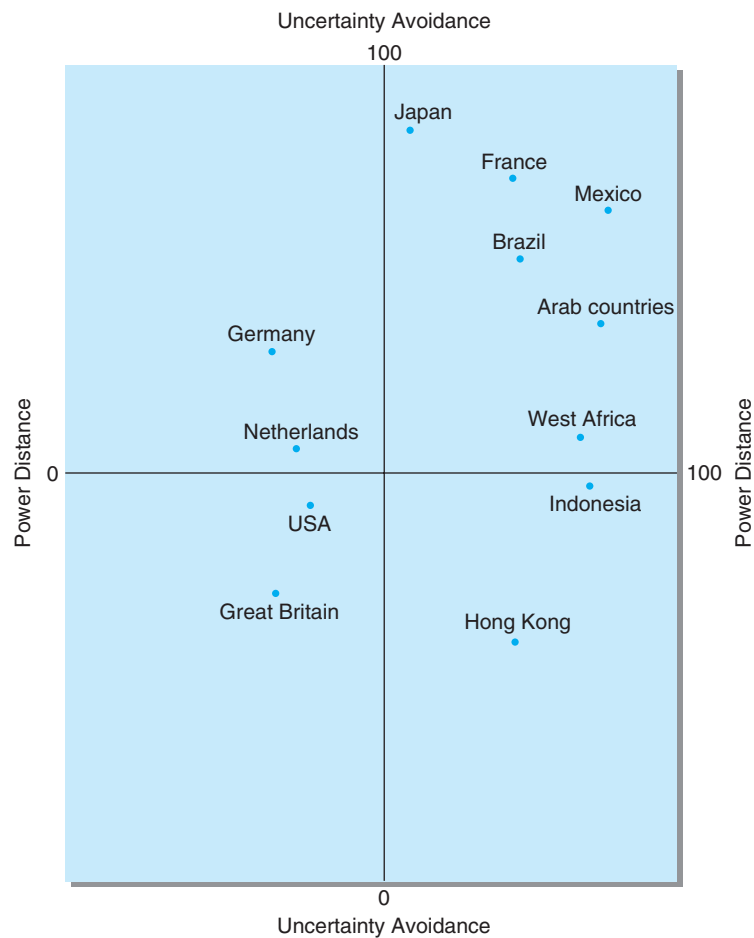
in three men own a Vuitton product. Many Japanese teenage girls want Louis Vuitton because "everyone has it."[66]

GLOBE (Global Leadership and Organizational Behavior Effectiveness) is a large-scale research program involving the efforts of a team of 160 scholars. The study explored cultural values and their impact on organizational leadership in 62 cultures.[67] The GLOBE researchers developed a scale of nine cultural dimensions based on a survey of 17,000 middle managers in three industries: banking, food processing, and telecommunications. The first three—uncertainty avoidance, power distance, and collectivism I (societal collectivism)—are the same as Hofstede's contructs described above. The remaining six culture dimensions are:

Project GLOBE

1. *Collectivism II (in-group collectivism).* The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
2. *Gender egalitarianism.* The degree to which an organization or society minimizes gender role differences and gender discrimination.
3. *Assertiveness.* The extent to which individuals are assertive, confrontational, and aggressive in social relationships.

[66]"Addicted to Japan," *Newsweek International* (October 14, 2002), p. 44.

[67]Robert J. House, Paul J. Hanges, Mansour Javidan, Peter W. Dorfman, and Vipin Gupta, *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*, SAGE Publications, 2004.

EXHIBIT 4-7B
MASCULINITY VERSUS INDIVIDUALISM
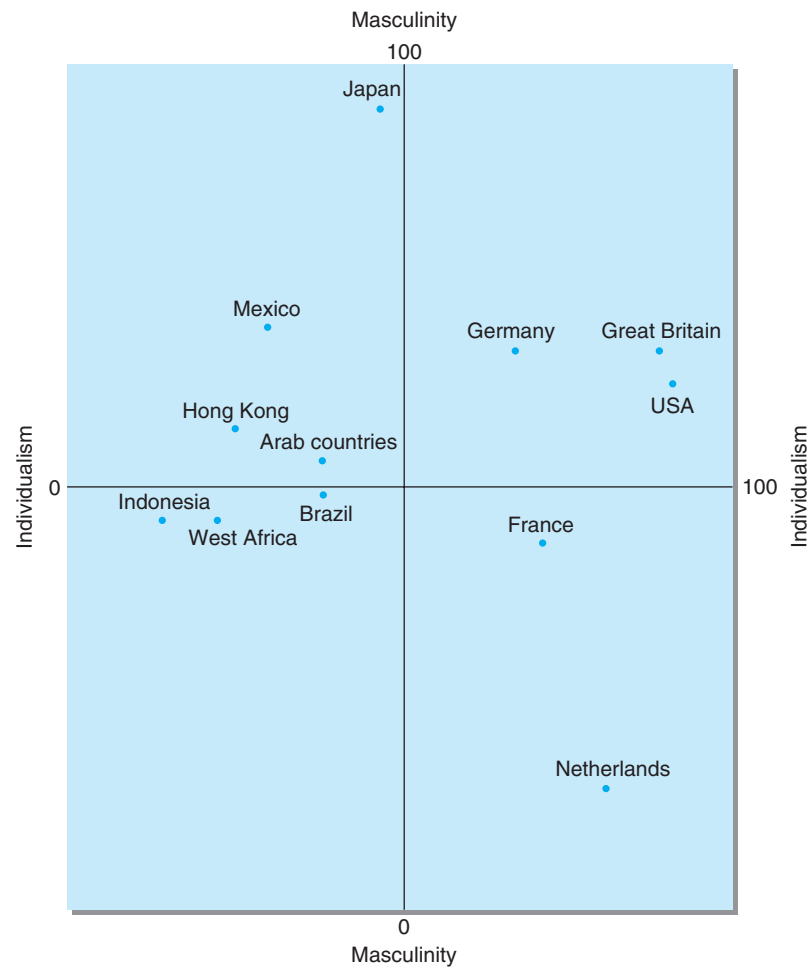
4. *Future orientation.* The degree to which individuals in societies engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.

5. *Performance orientation.* The extent to which a society encourages and rewards group members for performance improvement and excellence.

6. *Humane orientation.* The extent to which a culture encourages and rewards people for being fair, altruistic, generous, caring, and kind to others.

   Exhibit 4-8 maps a subset of the countries on four of the dimensions. GLOBE has some overlap with the Hofstede scheme that we discussed earlier. However, there are some notable differences. The study and the measurements are far more recent—in fact, the project is still ongoing. The GLOBE scheme includes nine cultural dimensions instead of just four. The project also assigned scores to each country on the nine cultural dimensions from two angles, namely cultural practices reported in terms of *As Is* and values recorded in terms of *What Should Be.* (Exhibit 4-8 is based on the *As Is* part.)

World Value Survey (WVS)

Our final classification scheme is based on the **World Value Survey** (WVS) conducted by a network of social scientists at leading universities worldwide.[68] This survey assessed people's values and beliefs in about eighty countries, covering 85 percent

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[68]See the project's website for further background information: http://www.worldvaluessurvey.org/organization/index.html

EXHIBIT 4-8
PROJECT GLOBE
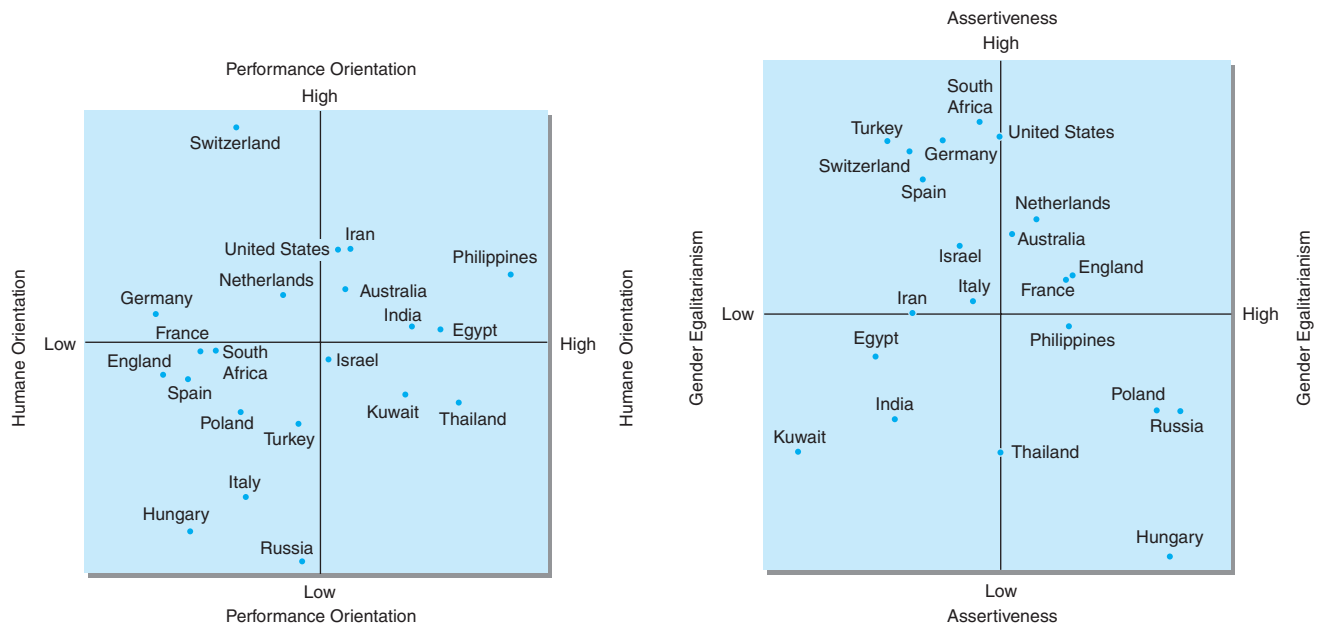
Source: Journal of World Business 37, No. 1, Spring 2002.

of the world's population. The first wave of the survey was carried out in the early 1980s; the most recent wave took place in 1999–2001. The WVS scheme differs from the previous ones in two respects: it has been done multiple times (the last data collection was the fourth wave), and the population covered by the sample is much broader than in other similar studies.

The chart in **Exhibit 4-9** shows how cultural attitudes in the surveyed countries stack up against one another. Most of the cross-cultural variations (70 percent) can be captured by two dimensions. The first one is the Traditional/Secular-rational dimension (vertical axis in Exhibit 4-9). This measure captures the relative importance of religious values as opposed to secular norms within society. Societies with a traditionalist orientation stress family values, parent–child ties, and deference to authority. The second category is the Survival/Self-expression dimension (horizontal axis in Exhibit 4-9). At one end of the spectrum are the survival values related to economic and physical security. At the other end are the self-expression values. Usually, as countries grow wealthier and modernize, the emphasis is on moving from Traditional toward Secular orientation and from Survival toward Self-expression values. Not all countries obey this rule though: countries such as the United States, Portugal, Ireland, and Mexico uphold Traditional values and Self-expression values at the same time (the lower-right quadrant in Exhibit 4-9).

ADAPTING TO CULTURES   ◆ ◆ ◆ ◆ ◆ ◆ ◆

To function in the global marketplace, you need to become sensitive to cultural biases that influence your thinking, behavior, and decision-making. Given the diversity of cultures, cultural mishaps easily arise when global marketers interact with members of a ''foreign'' culture. Some of these cultural gaffes are relatively harmless and easily forgiven. Unfortunately, many cultural mistakes put the company and its products in an unpleasant situation or even create permanent damage. There are numerous firms whose globalization efforts have been derailed by cultural mishaps.

EXHIBIT 4-9
WORLD VALUE SURVEY (WVS)
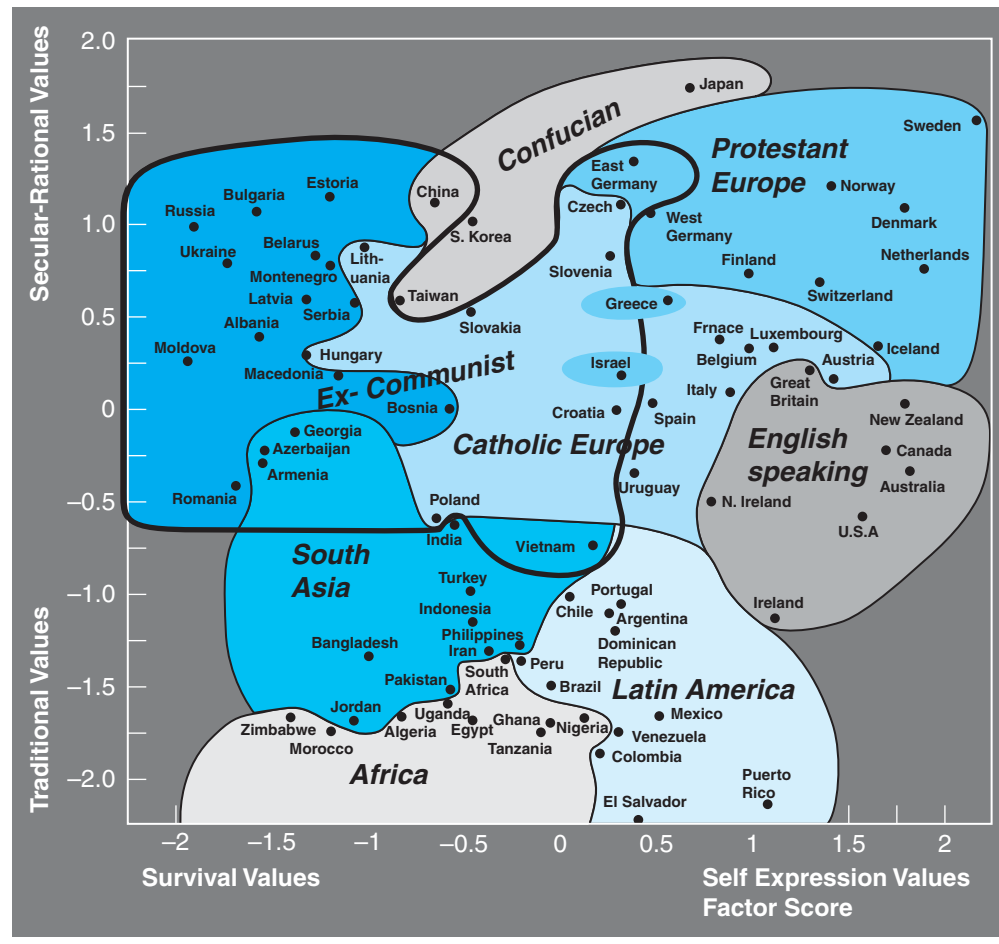
Source: Ronald Inglehart and Christian Welzel. *Modernization, Cultural Change and Democracy.* Cambridge University Press, 2005, page 63.

Lack of cultural sensitivity takes many forms. Most of us hold cultural stereotypes that distort cultural assessments. Cultural blinders that occur at the subconscious level are difficult to detect. When cultural misassessments do show up, it is usually after the fact. Therefore, cultural adaptation is absolutely necessary to make marketing decisions in line with the host culture. Such adaptation is hampered by the tendency to use a **self-reference criterion (SRC)**, a term coined by J. A. Lee, a cultural anthropologist. The SRC refers to people's unconscious tendency to resort to their own cultural experience and value systems to interpret a given business situation. Lee outlined a four-step procedure that allows global marketers to identify cross-cultural differences and take the necessary actions to cope with them. The four-step correction mechanism goes as follows:[69]

Step 1: Define the business problem or goal in terms of your own cultural traits, customs, or values.

Step 2: Define the business problem or goal in terms of the host culture's traits, customs, or values.

Step 3: Isolate the SRC influence in the problem and examine it scrupulously to see how it interferes with the business problem.

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[69]J. A. Lee, "Cultural Analysis in Overseas Operations," *Harvard Business Review* (March–April 1966): 106–14.

Step 4: Redefine the business problem, but this time without the SRC influence, and solve for the "optimal" business goal situation.

Even more dangerous than SRC interference is to fall into the trap of **ethnocentrism**, the belief that one's own culture is superior to another culture. Procter & Gamble's experience in Mexico exemplifies cultural adaptation. Ace detergent, which P&G launched in Mexico in the early 1950s, was clobbered by the local brands. Ace, developed for U.S. washing machines, had a low-suds formula. At that time, many Mexicans washed their clothes in the river. High-suds detergents were therefore preferable. Eventually, the formula was changed to have a higher-suds content. P&G also adapted the packaging: smaller sizes, using plastic bags (to keep the detergent dry) instead of cardboard.

Campbell Soup's experience in China is another nice illustration of cultural adaptation.[70] When Campbell entered China in the early 1990s, it sold the same ready-to-eat soups that you find in American stores. Sales were marginal. Now, Campbell is trying to crack China with broths that fit with the Chinese tradition of making soup from scratch. Likewise, Kraft Foods tweaked its celebrated Oreo sandwich cookie in China to boost sales. After finding out that traditional Oreos were too sweet, the company introduced reduced-sugar versions. In 2006, Kraft totally reframed Oreo for the China market launching a layered chocolate wafer sandwich with a square rather than round shape. The company also developed a proprietary handling process to withstand the extreme weather conditions in the country.

The lesson offered by the experience of marketing behemoths such as P&G, Kraft, and Campbell Soup is that there is no magic bullet to avoid cultural mishaps. P&G mistakenly believed that what works in the United States would also work across the Rio Grande. Although Lee's four-step SRC-correction procedure appears flawless, it is often difficult to put into practice. When commenting about the Russian luxury market, Marcello Bottoli, the president and CEO of Samsonite, stated: "The key is having local people in local markets. There are cultural habits that a westerner or an expat just can't overcome."[71] This keen observation clearly applies to most other markets.

Still, companies can rely on several techniques to prepare managers for cross-cultural differences.[72] Immersion through prolonged stays in the foreign market often helps. Intensive foreign-language training is one of the more common tools to foster cultural sensitivity. Language skills, however, are not sufficient to become a successful international manager. Other qualities like humility—a willingness to accept the fact that you will not be as competent as in your own environment—also play an important role.[73] Numerous resources exist to familiarize managers with other aspects of the host country's cultural environment. An online resource is the Lonely Planet publisher's website (www.lonelyplanet.com). Many providers of cultural training programs (e.g., Berlitz International) offer a cultural orientation for executives. Such programs range from environmental briefings to "cultural assimilator" exercises where participants are exposed to various simulated settings that could arise during their assignment.

CULTURE AND THE MARKETING MIX ◆ ◆ ◆ ◆ ◆ ◆ ◆

Culture is a key pillar of the marketplace. The success of international marketing activities is to a large extent driven by the local culture. These cultural variables may act as barriers or opportunities. In this section we show how culture and the firm's marketing mix interact. **Global Perspective 4-4** shows how Population Services

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[70]"Kraft Reinvents Iconic Oreo to Win in China," *The Wall Street Journal*, May 1, 2008, p. 28.

[71]"The Pitch in Russia: Luxury with Cultural Sensitivity," *International Herald Tribune*, November 30, 2007, p. 30.

[72]Howard Tu and Sherry E. Sullivan, "Preparing Yourself for an International Assignment," *Business Horizons* (January–February 1994): 67–70.

[73]"Culture Shock for Executives," *Financial Times*, April 5, 1995, p. 12.

◆ ◆

GLOBAL PERSPECTIVE 4-3

PREVENTING HIV/ AIDS IN MYANMAR

Condoms were seldom used in Myanmar (Burma) just a decade ago. Yet, today they are one of the country's fastest growing consumer goods—more than 40 million were purchased in 2005. This compares to only 4.4 million in 1997 (see Table). This rapid increase reflects increased awareness of HIV/AIDS among the local population. HIV/AIDS rates in Myanmar among high-risk groups are among the highest in the region now: up to 2.2 percent of adult Burmese have been infected.

The surge in sales of condoms is largely the result of Population Services International (PSI). PSI is a non-profit organization based in Washington, D.C. For the first 16 years after its founding in 1970, PSI concentrated on the area of family planning through social marketing. In the late 1980s, PSI has also entered the areas of malaria and HIV/AIDS prevention. The group, which had a 2005 budget of $297m, has program offices in almost 70 countries.

PSI launched its social marketing campaign in Myanmar in 1996, despite criticism of pro-democracy groups. PSI supplies about 75 percent of all the condoms used in Myanmar. Heavy subsidies allow them to be sold for one-third of the production cost. Guy Stallworthy, PSI's Myanmar country director, points out that "Price is the number one issue here—you are not going to get a mass market with an expensive product . . . Consumers don't have much money but they are discerning and want to buy quality things . . . if you can somehow make quality affordable, you are bound to be a winner in this country."

Apart from pricing, promotion is a major challenge. When PSI first imported condoms in Myanmar, the brand

name was written in Burmese. However, PSI found out that the Burmese associated Burmese-language packaging with inferior quality. In 1998, PSI changed to *Aphaw* ("trusted companion") in English, with usage instructions in Burmese.

CONDOMS DISTRIBUTED IN MYANMAR SINCE THE LAUNCH OF APHAW (IN MILLIONS)

Year	Private Sector	Public Sector	PSI Social Marketing	Total Condom Market
1997	1.4	1.2	1.8	4.4
1998	2.2	2.1	3.3	7.6
1999	2.8	2.0	6.8	11.6
2000	7.0	1.5	7.9	16.4

Source: www.psi.org, accessed February 22, 2006

PSI built up its own national distribution network, with 28 sales representatives and 50 wholesalers. Aphaw condoms are available in every town and major village. PSI developed its own advertising mascot: a chameleon (a "pothinnyo") wearing a traditional sun hat. These days, PSI's mascot has an 82 percent recognition among urban Burmese. PSI collaborated with cultural troupes to produce traveling theatrical performances to educated communities about the risks of HIV/AIDS. It also produced soap operas and feature films to stem the spread of HIV/AIDS. In 2005, PSI's mascot made its TV debut when PSI sponsored the broadcast of English Premier League soccer matches on local television. At 0.8 per capita per year, condom use is still minimal compared to Thailand or Cambodia. PSI's goal is to raise condom use to one per capita per year by 2008.

Sources: "A Golden Opportunity: Preventing HIV/AIDS in Myanmar," http://www.psi.org/resources/pubs/myanmar_profile.pdf, accessed February 22, 2006 and "A Chameleon Enlists in War on Aids," *Financial Times* (February 20, 2006): 6.

International adapts marketing tools to local Burmese tastes to make condoms acceptable in Myanmar.

Product Policy   The PowerpuffGirls is a karate superheroes show aired on the Cartoon Network with a huge following among American preteens. When in 2001 the show debuted in Japan with a "Japanese look" it failed miserably. To boost its appeal, Cartoon Network decided to revamp the characters. Toei, a well-established Japanese animation house, was brought in to assist with the overhaul. The characters Blossom, Buttercup, and Bubbles were given Japanese names, more realistic outfits (e.g., miniskirts, hip-hugging belts), and the lives of Japanese junior-high-school students. As Japanese kids prefer more narrative plots, the shows were made 15 to 20 minutes long (compared to the 7 to 11 minutes shows in the United States). They also introduced new themes in line with Japanese girls' expectations such as love themes and acceptance of people who are different ("Monsters can be anyone who is different from us. If we change our attitude, they can become our friends"). The show became successful not just among Japanese

girls but also attracted animation-obsessed adult men (*otaku*). As a result, Cartoon Network launched special items tied to show such as bookmarks and pop music targeting the show's adult Japanese fans.[74]

In recent years, doughnuts have been catching on in Asia as a luxury treat.[75] International doughnut chains such as Dunkin' Donuts and Krispy Kreme have modified their product offerings in the region to cater toward Asian palates. Dunkin' Donuts Taiwan, for instance, offers localized flavors such as green tea and honeydew melon. Doughnut chains also lowered the sugar content as Asians have a lower preference for sweet foods.

Certain products, in particular, food, beverages, and clothing are obviously more culture-bound than other products. Products or services can also be banned or restricted due to cultural reasons. In March 2004, the government of Saudi Arabia banned the import and sale of mobile phones with cameras after reports of "misconduct" (photographing women) by owners of such phones.[76]

The implied meanings of brand names also exemplify the role of culture in global marketing. Sometimes the brand name can hurt sales as P & G experienced with its Ariel laundry detergent in Middle Eastern countries like Egypt. The detergent was being tied with Ariel Sharon, Israel's former prime minister. Kit Kat, on the other hand, gained a strong following among Japanese students, especially during exam periods. The name of the chocolate bar, made by Nestlé,[77] closely resembles a Japanese expression, "kitto katsu," used by students to wish each other good luck prior to exams. The phrase roughly translates as "I hope you will win." Often Japanese parents will buy Kit Kats as lucky charms for their children during exam days.[78]

Cultural norms sometimes open up new product opportunities. In most Asian countries, white skin is associated with positive values that relate to beauty, class, and an upscale lifestyle. Dark skin is linked with hard labor and toil. In India, the skin whitener market has been growing at an annual rate of around 20 percent. Multinationals such as Unilever, Avon, and Beiersdorf have been able to cash in on this phenomenon by marketing skin whiteners. Indeed, for Avon, its top-selling product in India is VIP Fairness Cream. The cream that retails for 160 rupees promises a fairer skin in one month.[79] In Vietnam, Unilever customized its brands to reflect local customs. The Vietnamese version of SunSilk shampoo includes extracts from a seed known as *bo ket*, which Vietnamese women have long used to keep their hair shiny black. Unilever also decided to sell a local fish sauce under the Knorr brand name. The sauce is bottled on Phu Quoc, an island where the fish sauce originated. Unilever vowed that it would protect the good name and purity of Phu Quoc fish sauce.[80]

Pricing

Customers' willingness to pay for your product will vary across cultures. Products that are perceived as good value in one culture may have little or no value in other cultures. In Western countries, a high price is often seen as a signal of premium quality for many product categories. Such beliefs sometimes also exist in less developed markets. For instance, multinational pharmaceuticals such as Pfizer benefit from a belief in much of the developing world that branded medicines are worth paying a premium because of the perception that generic drugs are less safe and less effective. In Venezuela, a monthly standard dose of Lipitor, Pfizer's cholesterol-lowering drug, costs between $100 and $125, compared to less than $50 for a generic.[81] However, in emerging markets, charging a high price is often regarded as gouging the customer for many product categories.

[74]"Cartoon Characters Get Local Makeovers in Asia," *The Wall Street Journal*, October 16, 2007, p. 28.

[75]"Doughnuts Catching on in Asia as a High-end Western Treat," *International Herald Tribune*, June 13, 2007, p. 12.

[76]"Saudi ministries picture the future as embargo on mobiles draws in King Fahd," *Financial Times*, November 23, 2004, p. 7.

[77]In the United States, Kit Kat is made (under license) by Hershey's.

[78]http://news.bbc.co.uk/2/hi/asia-pacific/4230471.stm.

[79]"Creams for a Lighter Skin Capture the Asian Market," *International Herald Tribune*, April 24, 1998, p. 2.

[80]"Unilever has a taste for success in Vietnam," *Financial Times*, December 2, 2003, p. 9.

[81]"Drug Firms See Poorer Nations as Cure for Sales Problems," *The Wall Street Journal Asia*, July 8, 2009, pp. 14-15.

One example of how pricing and culture interact is the practice of odd pricing in which prices end with 9 (or 5) ($19.99 instead of $20). Specific price points like End-9 prices are known to increase unit sales substantially. This sales effect is due to the fact that these "magic prices" signal good value to the customers. In Chinese-speaking cultures like Hong Kong, however, the price points used often end with 8 instead of 9.[82] In Chinese cultures, the number 8 is associated with prosperity and good luck. This symbolism stems from the fact that the digit 8's pronunciation in Chinese, *ba*, is similar to *fa*, which means to "get rich".[83]

Distribution   Cultural variables may also dictate distribution strategies. Plagued with lifestyle changes, Avon, the U.S. cosmetics maker, has been forced to fine-tune its direct selling model. In places like Taiwan and China, Avon experimented with alternative distribution modes for selling its products. Some of the alternatives include the use of kiosks, small counters in department stores, the Internet, and selling products on home-shopping TV channels.

Retailers must often fine-tune their practices when entering foreign markets. Wal-Mart learned this lesson the hard way in Germany, a market that the mega-retailer was never able to crack. Grocery bagging turned out to be a no-no for German shoppers, as they do not like strangers handling their groceries. When clerks followed orders to smile, male customers took that as a come-on.[84] After many years of sustained losses, Wal-Mart sold its 85 German stores to its German rival Metro in July 2006.

Companies often need to tweak their distribution model in emerging markets; even their model is a key success factor in their home market. A good example is Dell's direct sales model, which has long been the computer maker's holly grail. In countries such as Russia, Dell is pushing into traditional retailing by opening company-owned retail stores. Countries such as Russia lack the home delivery services needed to support Dell's direct sales and customers have little experience with e-commerce.[85] In China, where face-to-face contact is important when selling computers, Dell overhauled its direct-sales model when it announced a deal in September 2007 to sell computers through Gome, a major Chinese electronics retailer.[86] McDonald's offers another example.[87] In many developing world cities, McDonald's now offers delivery service. The model works well in traffic-congested cities with cheap labor. In Egypt, where the delivery setup originated in 1995, deliveries account for 27 percent of McDonald's revenue.

Promotion   Of the four marketing mix elements, promotion is the most visible one. People who do not buy your product for whatever reason may still be exposed to your advertising. Culture will typically have a major influence on a firm's communication strategy. Key events of a country's cultural calendar (e.g., Chinese New Year, Ramadan) often create major marketing opportunities (see **Exhibit 4-10**). The manner in which customers process marketing communications often hinges on their cultural values. One recent study found that North Americans are persuaded more by promotion-focused information (benefits to be gained) whereas Chinese consumers are driven by prevention-focused messages (problems that can be avoided).[88] Advertising styles that are effective in certain cultures can be counterproductive in other cultures. In high-context cultures (e.g., Spain, Italy, Japan), communication styles tend to be more indirect and subtle, making use of less copy and more symbols. In low-context cultures (e.g., Germany,

[82]Lee C. Simmons and Robert M. Schindler, "Cultural Superstitions and the Price Endings Used in Chinese Advertising," *Journal of International Marketing*, 11 (2), 2003, pp. 101–11.

[83]Note that the Beijing Olympics 2008's opening date was August 8, 2008 (8-8-08).

[84]"Wal-Mart: Local Pipsqueak," *BusinessWeek*, April 11, 2005, pp. 25–26.

[85]"Where Dell Sells With Brick and Mortar," *BusinessWeek*, October 8, 2007, p. 78.

[86]"China Chapter of Dell's Retail Adventure Opens," *Financial Times*, September 25, 2007, p. 7.

[87]"Knock Knock, It's Your Big Mac," *BusinessWeek*, July 23, 2007, p. 36.

[88]Donnel A. Briley and Jennifer L. Aaker, "When Does Culture Matter? Effects of Personal Knowledge on the Correction of Culture-Based Judgments," *Journal of Marketing Research*, 18 (2006), pp. 395–408.

EXHIBIT 4-10
MCDONALD'S CHINESE NEW YEAR PROMOTION (HONG KONG)

Courtesy Kristiaan Helsen

Scandinavia), on the other hand, advertising uses more copy, factual data, and reasoning.[89] Advertising in countries such as the United States and the United Kingdom often uses a lecture-format style in which a celebrity "lectures" the audience about the good points of the product being advertised. Cultures in these countries are low in power distance and high in individualism. One study compared the reactions of Chinese and U.S. subjects to different advertising appeals. Not surprisingly, the study found that Chinese consumers favored a collectivistic appeal, whereas their U.S. counterparts preferred an individualistic appeal.[90]

Country of origin strategies may also need to be customized across countries. In collectivist cultures, local brands are likely to benefit from touting their local roots. However, one study suggests that in individualist countries, country of origin appeals will be beneficial only when the local brand is superior.[91] Therefore, buy-local

[89]Marieke de Mooij, *Global Marketing and Advertising. Understanding Cultural Paradoxes* (Thousand Oaks, CA: SAGE Publications, 1998), pp. 157–58.

[90]Yong Zhang and James P. Neelankavil, "The Influence of Culture on Advertising Effectiveness in China and the USA. A Cross-Cultural Study," *European Journal of Marketing* 31 (1997): 134–49.

[91]Gürhan-Canli, Zeynep, and Durairaj Maheswaran, "Cultural Variations in Country of Origin Effects," *Journal of Marketing Research* 37 (August 2000): 309–317.

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𝒢LOBAL PERSPECTIVE 4-4

SELLING RAZOR BLADES IN JAPAN

Gillette, now owned by Procter & Gamble, is the dominant razor brand in Western Europe, Russia, China, and the United States. In Japan, however, Gillette is a distant second, behind Schick, which has more than half of the Japanese market and which entered Japan much earlier than its rival. The wet shaving market in Japan is worth about US$310 million with potential to grow much further. After introducing the Fusion brand in 2006, Gillette's market share jumped from 21 to 33 percent, following a long spell of stagnant growth. Japan has been a difficult market to penetrate for a number of reasons: most Japanese males prefer electric razors over razor blades, Japanese men shave less frequently than men in Western countries.

Sources: "A Battle for Hearts and Chins in Japan," *International Herald Tribune*, June 26, 2007, p. 12; and "Procter and Gillette Learn From Each Other's Marketing Ways," http://www.nytimes.com/2007/04/12/business/media/12adco.html?_r=1&pagewanted=print&oref=-slogin, accessed July 22, 2008.

With Fusion, Gillette customized its product and promotion strategy to local tastes. P&G found that Japanese men were particularly interested in product features. So when Gillette launched Fusion, it used the name "Fusion 5+1," stressing the fact that the razor comes with five blades and a trimmer on the back. It further positioned the Fusion razors against Schick's four-bladed Quattro Titanium razor by labeling its packages with "Superior versus four-blade products." Gillette also joined with a local barber's association to run the shaving bar in Tokyo's financial district. Several barbers now sell Fusion blades in their shops.

When in summer 2007 Gillette debuted the Phantom razor, a black and silver version of the Fusion, Gillette used local athletes and celebrities such as Kosuke Kitajima, a breaststroke gold medalist. It also changed the brand name to Air as the original name did not translate very well in Japan.

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campaigns in highly individualist countries such as Australia and the United States may be counterproductive unless the product has superior quality.

Local cultural taboos and norms also influence advertising styles. In the United States, Gidget, a talking Chihuahua, is the advertising mascot for Taco Bell, a Mexican-style fast-food chain owned by Yum! Brands. However, Gidget does not feature in Taco Bell's Singapore ads. Singapore's large Muslim population was the main motivation for dropping Gidget—Muslims view dogs as unclean animals.[92] Global Perspective 4-3 describes how Gillette tailors its products and advertising strategies to local tastes in Japan.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆   ## ORGANIZATIONAL CULTURES

So far, we have looked at the importance of national cultures for international marketing operations. At the same time, most companies are also characterized by their **organizational (corporate) culture**. Deshpandé and Webster[93] defined organizational culture as "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization" (p. 4). Shared beliefs relate to leadership styles, organizational attributes, bonding mechanisms within the organization, and overall strategic emphases.[94] As you can see in **Exhibit 4-11**, organizational culture types can be described along two dimensions. The vertical axis distinguishes between organizations with *organic* (emphasis on flexibility, spontaneity, individuality) and *mechanistic* processes (emphasis on control, stability, order). The horizontal axis describes whether

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[92]"As Taco Bell Enters Singapore, Gidget Avoids the Ad Limelight," Ad Age International, January 11, 1999, pp. 13–14. 64 "A Campaign Too Far for Carlsberg," *Financial Times*, August 11, 1998, p. 8.

[93]Rohit Deshpandé and Frederick E. Webster, "Organizational Culture and Marketing: Defining the Research Agenda," *Journal of Marketing*, 53, (no. 1) (1989): 3–15.

[94]Rohit Deshpandé, John U. Farley, and Frederick E. Webster, "Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis," *Journal of Marketing* 57, no. 1 (1993): 23–37.

EXHIBIT 4-11
A MODEL OF ORGANIZATIONAL CULTURE TYPES

Organic Processes (flexibility, spontaneity)	
TYPE: Clan	TYPE: Adhocracy
DOMINANT ATTRIBUTES: Cohesiveness, participation, teamwork, sense of family	DOMINANT ATTRIBUTES: Entrepreneurship, creativity, adaptability
LEADER STYLE: Mentor, facilitator, parent-figure	LEADER STYLE: Entrepreneur, innovator, risk taker
BONDING: Loyalty, tradition, interpersonal cohesion	BONDING: Entrepreneurship, flexibility, risk
STRATEGIC EMPHASES: Toward developing human resources, commitment, morale	STRATEGIC EMPHASES: Toward innovation, growth, new resources
INTERNAL MAINTENANCE (smoothing activities, integration)	**EXTERNAL POSITIONING** (competition, differentiation)
TYPE: Hierarchy	TYPE: Market
DOMINANT ATTRIBUTES: Order, rules and regulations, uniformity	DOMINANT ATTRIBUTES: Competitiveness, goal achievement
LEADER STYLE: Coordinator, administrator	LEADER STYLE: Decisive, achievement-oriented
BONDING: Rules, policies, and procedures	BONDING: Goal orientation, production, competition
STRATEGIC EMPHASES: Toward stability, predictability, smooth operations	STRATEGIC EMPHASES: Toward competitive advantage and market superiority
MECHANISTIC PROCESSES (control, order, stability)	

Note: Adapted from Cameron and Freeman (1991) and Quinn (1988).

Source: Rohit Deshpandé, John U. Farley, and Frederick E. Webster, ''Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis,'' *Journal of Marketing,* 57, 1, 1993, pp. 23–37.

the organizational emphasis is on *internal maintenance* (integration, efficient and smooth operations) or *external positioning* (competitive actions and achievement, differentiation). This scheme leads to four organizational culture types labeled *clan*, *adhocracy*, *hierarchical*, and *market*. Exhibit 4-11 lists for each of these organizational forms the dominant attributes, leadership styles, primary means of bonding, and strategic emphases.

Clan cultures (top left quadrant) stress cohesiveness, participation, and teamwork. They are often headed by a patriarch. The bonding glue is loyalty and tradition. Commitment to such firms runs high. In contrast, *adhocracy cultures* (top right quadrant) are driven by values like entrepreneurship, creativity, adaptability, flexibility, and tolerance. Effectiveness in such cultures is viewed in terms of finding new markets and new opportunities for growth. The head of such organizations is usually an entrepreneur or an innovator. Such firms are committed to innovation and new product development. The third form is the *hierarchy culture* (bottom left quadrant), which emphasizes order, rules, and regulations. Such organizations tend to be very formalized and structured. Maintaining a smooth-running operation is very important for such firms. Organizational effectiveness within hierarchical cultures is defined by consistency and achievement of clearly stated goals. Finally, *market culture-like* organizations (bottom right quadrant) value competitiveness, tasks and goal achievement, and productivity. These organizations tend to be production-oriented. The major concern is getting the job done.

Most multinational firms have elements of several types of cultures. Despite the fact that managers these days are exposed to similar business concepts and technologies, cultural differences in management style and practice persist.[95] **Exhibit 4-12** lists the seven distinct business cultures based on a recent survey that polled 700 managers worldwide. Multinational firms, regardless of size, must heed such differences. Not

[95]''United in a World of Difference,'' *Financial Times*, October 15, 2004, p. 8.

EXHIBIT 4-12
SEVEN DISTINCTIVE BUSINESS CULTURES

Business culture	Description	Prime example
1. Go-getting	Staff highly enthusiastic about their work. Risk-taking attitude. Decisions made in highly charged debates, not via consensus.	United States
2. Worker bee	Tasks may overlap, responsibilities are shared. Decisions are consensual. Strong sense of pride.	Hong Kong
3. People who care	Employers assist poor performers. Spend time making sure staff members are happy.	Sweden
4. Easy going	Workers do their tasks freely. Emphasis on getting the job done.	Australia
5. Stalwart	Roles, functions clearly defined. Aversion to change for change's sake.	United Kingdom
6. Mechanistic	Managers work "by the book." Culture egalitarian but with strong sense of individual responsibility.	The Netherlands
7. Family entrepreneurs	Roles and functions are structured on "family" principles. Management is patriarchal.	India

Source: Based on "United in a World of Difference," *Financial Times*, October 15, 2004, p. 8.

all MNCs succeed. Kia Motors America exemplifies how a strongly hierarchical company culture can create cultural discord. The American subsidiary of Hyundai, a Korean carmaker, experienced a major management shakeup in recent years. One important reason behind the exodus of talent was that many of the former U.S. executives deeply disliked Hyundai's authoritarian management style with little tolerance for disagreement.[96]

In general, Anglo-Saxon companies are much more market-type cultures than German or French firms. Perhaps not surprisingly, Japanese companies are also much more clan-driven than companies in other countries. The same study also found that organizations with a market culture tend to have a better business performance. On the other hand, firms governed by a clan or hierarchy culture are poor business performers. Cross-cultural gaps resulting from a merger are fairly common. DaimlerChrysler, was formed by the merger of Daimler and Chrysler, went through a stormy honeymoon period, not the least of which were the cross-cultural clashes stemming from the merger. The old Daimler was bureaucratic and very formal, whereas the old Chrysler was spontaneous. The company's German managers moved toward a less formal way of doing business under the influence of their U.S. counterparts.[97] In May 2007, Daimler sold Chrysler to Cerberus Capital Management, a private investment firm, for US$6 billion.

In the balance of this chapter, we focus on two customer-related areas that are becoming increasingly important to global marketers: global account management and global customer relationship management.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ **GLOBAL ACCOUNT MANAGEMENT (GAM)**

In business-to-business contexts and in manufacturer-distributor relationships, one major consequence of having a global presence is dealing with global customers. The coordination of the management of such customer accounts across national boundaries is referred to as **global account management (GAM)**.

Global customer accounts, due to their sheer size, often have major leverage over their suppliers. In their drive to squeeze costs, these customer accounts will often strive for global contracts with global prices. Global retailers, such as Carrefour, Wal-Mart, and Royal Ahold, try to gain a cost advantage over their local competitors by negotiating the best terms with their suppliers. At the same time, global customers can also offer tremendous opportunities. Indeed, one survey of global account managers indicated that sales to their global customers had grown on average by 10 to 15

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[96]"My Way or the Highway at Hyundai," *BusinessWeek*, March 17, 2008, pp. 48–51.
[97]"The DaimlerChrysler Emulsion," *The Economist*, July 29, 2000, pp. 65–66.

percent per year.[98] Effective global account management could ultimately lead to a win-win for both parties.

A research project of global customer account practices singled out the following areas that might require a globalized treatment:

Global Accounts' Requirements[99]

- *Single point of contact.* Global customers prefer a single point of contact rather than multiple points. This will improve vendor–supplier relationships.
- *Coordination of resources for serving customers.* They also demand better coordination of their suppliers' resources.
- *Uniform prices and terms of trade.* Global customers will also often push for a uniform price, typically meaning the lowest price—unless the supplier can reasonably justify cross-border price gaps. Other non-price elements in the contract, such as shipping policies, warranties, volume discounts, could also be vulnerable to single-policy demands.
- *Standardized products and services.* They also often expect that their suppliers are able to deliver standardized products or services, unless good reasons can be provided.
- *Consistency in service quality and performance.* Coupled to the previous requirement, global accounts request a high degree of consistency in service support quality and performance.
- *Support in countries where the company has no presence.* Finally, global customers will also prefer a supplier who is able to service agreements with them in all countries where the customer operates, including the ones where the supplier has no presence.

The first key question that a vendor should ask is which customer accounts should be designated as global accounts. Obviously, one crucial factor will be the preferences and the organizational setup of the client. Even if a customer desires a global relationship, global account management is not always the right response. One other key criterion is the balance of power between the customer and the company. A major driver here will be the degree of internal coordination in each of the parties. If the vendor is less globally integrated than the customer, then the vendor might be vulnerable. Hence, a global account relationship would have limited appeal for the vendor. The other criterion is the extent of strategic synergies that can flow from a global relationship. If the relationship merely focuses on sales transactions, then globalization will most likely imply lower prices and increased pressure for volume discounts. Global account relationships are much more rewarding when they are triggered by strategic synergy rationales. Synergies can be achieved in areas where the two partners can collaborate, such as product innovation, brand building, and market development.

Managing Global Account Relationships[100]

Effective GAM strives to capture the scale and scope benefits of an integrated approach while maintaining the local responsiveness to cope with the account's local needs. The success of a global account relationship depends on the right implementation. The following guidelines contribute to effective implementation:

- *Clarify the role of the global account management team.* Usually, a global account manager is designated who will be dedicated to the global account. Often, the manager will be based in the country where the customer is headquartered. Typically, the account manager will report to the local country manager and to company headquarters. Global account managers often end up working very closely with their customers; sometimes they or some of their support staff members even have an office at the customer's premises.

[98]David Arnold, Julian Birkinshaw, and Omar Toulan, "Can Selling Be Globalized? The Pitfalls of Global Account [FN 96, cont.'d] Management," *California Management Review* 44, no. 1 (Fall 2001): 8–20.
[99]David B. Montgomery and George S. Yip, "The Challenge of Global Customer Management," *Marketing Management* (Winter 2000): 22–29.
[100]This section draws from Arnold, Birkinshaw and Toulan, "Can Selling Be Globalized," pp. 11–19 and David Arnold, Julian Birkinshaw, and Omar Toulan, "Implementing Global Account Management in Multinational Corporations," Working Paper No. 00-103 (Marketing Science Institute, 2000).

- *Make incentive structure realistic.* Having the right incentive mechanisms in place is crucial. This is also a major headache for companies: if a global account places an order, how should the commission be split between the global account manager and the local unit? Many companies simply pay the commission twice, but that can be an expensive solution.
- *Pick the right global account managers.* Being a successful local or regional salesperson is not always a promise for turning into a good global account manager. Other skills that matter include the ability to coordinate efforts internally, having a long-term perspective, nurturing the account—not milking it. Given that GAM is primarily a matter of internal coordination, good coordination and communication skills are probably most valuable.
- *Create a strong support network.* The strength of the support network is another success factor. Global account managers will need support staff, solid customer information (profitability, worldwide sales), communication materials, and so forth. Having solid internal support systems in place is known to be one of the most critical variables in making GAM programs successful.[101]
- *Make sure that the customer relationship operates at more than one level.* Customer relationships should be established at all levels—above and underneath the global account manager, right down to the local field and support team.
- *Ensure that the GAM program remains flexible and dynamic.* A supplier's GAM program should maintain a fit with the customer's changing needs. The Xerox–BMW relationship is a good example. BMW wanted to make its vehicle ownership manuals personalized and less expensive to make. Most manuals included at least four languages and were quite thick, wasting paper and leading to high printing costs. Xerox cooperated with BMW to offer a new manual with the buyer's name in the buyer's preferred language and other personalized features. The new manual is 80 percent thinner.[102]

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ## GLOBAL CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Customer relationship management (CRM) or **database marketing** is the strategic process of managing interactions between the company and its customers, with the objective of maximizing the lifetime value of the customers for the company and satisfying the customers by being customer-focused. A successful CRM program will create a formidable competitive edge and can boost profits substantially. Multinational corporations apply CRM programs across national boundaries. In China, Volkswagen decided to implement a CRM project by building a data warehouse that can store information about millions of dealers and prospective customers. The system would allow VW to track prospective customers from the awareness stage to purchase interest, offering insights into reasons for purchase and nonpurchase. VW spent around $3.75 million to develop the customer database.[103]

Several benefits can be derived from globalizing CRM programs. In some industries (e.g., travel, rental car, credit cards), global customers account for a major share of the business. Furthermore, just as in other areas of global marketing, country units can share ideas and expertise on CRM programs. Typically, customer relationships evolve through distinct phases, each with its unique requirements. The first phase is customer acquisition. This phase involves prospect evaluation, acquisition management, and recovery of "old" customers (brand switchers, inactive customers). The second phase focuses on retention. The most critical areas here include customer evaluation (lifetime

[101]See Arnold, et al., "Implementing Global Account Management."

[102]Shi, Linda H., et al., "Global Account Management Capability: Insights from Leading Suppliers," *Journal of International Marketing* 13, no. 2 (2005): 93–113.

[103]"Shanghai VW Drives Tailor-Made CRM Plan," *Ad Age Global* (April 2002): 12.

value), consumer complaint management, retention mechanisms (e.g., loyalty programs), up-selling (meaning, the firm tries to sell higher-margin items to its current client) or cross-selling (meaning, the firm tries to sell other products in its portfolio to the existing client) and referral management. The final possible phase is the termination of the relationship. This may happen because of customer-related factors such as the customer simply losing interest in the category or switching to another supplier.

Motivations

Many reasons can motivate the rollout of a CRM program. The German company Otto Versand is the world's largest mail-order company and one of the largest Internet retailers worldwide. It decided to introduce CRM for the following reasons:[104]

- Decreasing customer loyalty, which puts pressure on the company to improve programs for customer retention and recovery.
- Deteriorating customer response rate in customer acquisition leading to higher acquisition costs. CRM can help here by offering better-qualified customer addresses and guidelines on effective acquisition strategies.
- More demanding customers.
- Highly differentiated target segments, which require differentiated marketing campaigns and, in the extreme case, one-on-one marketing.
- Emergence of the Internet, which allows richer communication and interactive marketing.

These motivations overlap to some extent with the reasons why KLM, the Dutch airline, embraced CRM:[105]

- Air travel has become a commodity, putting pressure on margins.
- New entrants (e.g., discount carriers in Europe) have changed the rules of competition.
- Product differentiation has become increasingly tough.
- Competitors in Europe and the United States are investing in CRM.
- Customers are unique; they increasingly expect tailored services.
- Customers are better informed about product offerings and the market (knowledge transparency).

Gains from CRM

The benefits of effective CRM programs are potentially huge. The key ones include the following:

- *Better understanding of customers' expectations and behavior.* This knowledge allows the MNC to develop differentiated strategies. The ultimate goal of CRM is to be able to offer the right product or service to the right customer at the right price and via the proper distribution channel.
- *Ability to measure the customer's value to the company.* Putting value—in terms of current and projected margin contribution—on the customer also facilitates more effective resource allocation. Such insights help the company decide which target customers to nurture, to grow, to protect (against competitive inroads), or to economize on.
- *Lower customer acquisition and retention costs.* In principle, a successful CRM program should enable the MNC to do a better job in acquiring and keeping

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[104]Norbert Sellin, "Automated Direct Marketing Campaigns at Otto," in "Customer Relationship Management: Strategies and Company-wide Implementation," Conference Summary, Report No. 02–112 (Marketing Science Institute, 2002), pp. 11–12.

[105]Lesley McDermott, "Targeting the Right Customers," in "Customer Relationship Management: Strategies and Company-wide Implementation," Conference Summary, Report No. 02-112 (Marketing Science Institute, 2002), pp. 11–12.

customers. Obviously, this benefit might not materialize if the major competitors also adopt CRM programs.

- *Ability to interact and communicate with consumers in countries where access to traditional channels is limited.* Access to conventional tools, such as TV, press, or radio, might be restricted because of an underdeveloped media infrastructure, government regulations, or high charges. Alternatively, the prospect might be a very particular niche, which is hard to reach with more common tools. A good example is Western Union's operations in Asia.[106] Western Union's business model is that people can transfer money overseas without the need for a bank account. This has made the firm very popular among low-paid foreign expatriate workers who often do not have a bank account. Given the niche qualities of this customer group, spending marketing money on mass media would create a lot of wastage. Instead, Western Union developed a customer database that facilitates direct mailing campaigns. Under such circumstances, CRM offers a valuable alternative to reach the target customers.

Challenges   Marketing programs can get much mileage out of CRM systems. However, to capture the full benefits of a CRM program in the global marketplace, several challenges have to be met:

- *Customer database.* The success of a CRM program depends to a large degree on the quality of the customer database. Setting up a high-quality customer database can be time-consuming and expensive. Access to customer data in some countries can be a major struggle—creative and inspired thinking is often necessary to come up with innovative ways to gather customer data. Audi's Asia Pacific division used an online campaign in Singapore and South Korea to build up its database of prospective customers. To encourage prospects to offer personal data, Audi offered users the chance to win tickets to an Audi driving clinic.[107]

- *Clutter.* One major risk of CRM is that, given all the hype, everybody and his brother jumps on the bandwagon. Indeed, as we saw earlier, this was one reason KLM adopted CRM. As a result, breaking through the clutter can prove to be a major task. When customers start receiving e-mails from every airline he or she ever flew with, those personalized e-mails most likely get the spam treatment.

- *Cultural and language differences.* Obviously, just as with other endeavors in global marketing, cultural and language differences can prove to be major obstacles, especially when the customer database covers multiple countries. Chinese names, for instance, can be written in multiple ways, creating the risk of duplication.

- *Privacy and other government regulations.* Privacy and personal data protection are highly sensitive issues in many countries. Often, it is difficult—for legal or cultural reasons—to buy a database from third parties. Companies should make themselves familiar with local regulations and laws covering these issues.

- *Local talent.* Qualified staff to run and support CRM projects is often scarce and difficult to find in many countries.

- *Local infrastructure.* CRM is also difficult to run in countries where the direct marketing infrastructure is still underdeveloped.

Guidelines for Successful CRM Implementation   Experience and lessons from implementation of CRM programs have led to the following insights:

- Make the program business-driven rather than IT-driven. CRM is more than just a data-mining exercise; it goes way beyond technology and having a database in place.

- Monitor and keep track of data protection and privacy laws in those countries where CRM systems are being used or are in the planning stage.

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[106]"Finance Firm in Loyalty Push to Fend Off Rivals," *Media*, September 6, 2002, p. 10.

[107]"Audi in Web Drive to Collect Data," *Media*, October 18, 2002, p. 18.

- Remember that the effectiveness of CRM starts with the database. A good database is money in the bank; a bad database is money wasted.
- Make sure that the information and rewards being sent out to customers are relevant, targeted, and personal.

SUMMARY ◆

Global marketing does not operate in a bubble. Culture is an intrinsic part of the global marketing environment. Cultural diversity brings along an immense richness. "Foreign" cultures may offer a breeding ground for new product ideas. Cultural changes may open up new market opportunities. At the same time, cultural diversity also poses enormous challenges to international marketers and managers in general. Usually, cultural blunders are easily forgiven. Occasionally, however, failure to respect the local culture will create resentment and may even lead to permanent damage of the firm's overseas business operations. Companies like Coca-Cola and KFC learned this lesson the hard way in India. When Coca-Cola reentered India in 1992 after a long absence, it acquired Thums Up, a leading local brand. It subsequently tried to promote its global brand by piggybacking Thums Up's distribution network, at the expense of the local brand. Loyal customers of Thums Up were not pleased. In the end, Coke decided to promote Thums Up rather than substitute it with its global brands. KFC, on the other hand, retrenched in the Indian marketplace, cutting down on the number of outlets from four to just one. Its formula of selling fried chicken in a country where tandoori chicken is preferred never caught on.[108]

Preventive medicine is more effective than having to lick your wounds afterward. Dictums, such as "When in Rome . . . ," are nice catch phrases but unfortunately, it is seldom easy to learn what it means to "do as the Romans."

Sensitivity to the host culture is a nice attribute, but for most people it will always remain an ideal rather than an accomplishment. There simply are no tricks-of-the-trade or shortcuts. In fact, an often-fatal mistake is to overestimate one's familiarity with the host culture.

In this chapter we analyzed what is meant by culture. We examined several elements of culture in detail. Cultures have differences but also share certain aspects. We examined several frameworks that you can use to analyze and classify different cultures. Once you are aware of the differences and parallels, the next and most formidable task is to become sensitive to the host culture. We described several procedures to foster cultural adjustment. Cross-cultural training is one route toward cultural adaptation. The ideal, however, is to immerse oneself in the foreign culture through intensive language training, prolonged visits, or other means.

The interface between culture and the various marketing mix instruments was studied. Future chapters (Chapters 11 through 16) that look more closely at the global marketing mix will revisit these interactions. In this chapter, we also examined the notion of corporate or organizational culture. As we saw, to some extent corporate cultures are driven by the culture in which the company originated. Finally, we explored two increasingly important areas on the consumer front, namely, global customer account management (GAM) and global customer relationship management (CRM).

KEY TERMS ◆

Back translation
Collectivist culture
Customer relationship marketing (CRM)
Database marketing
Ethnocentrism

Extended family
Global account management (GAM)
High- (low-) context culture
Individualism (collectivism)

Long-termism (short-termism)
Masculinity (femininity)
Nuclear family
Organizational (corporate) culture

Power distance
Project GLOBE
Self-reference criterion (SRC)
Uncertainty avoidance
World Value Survey (WVS)

REVIEW QUESTIONS ◆

1. How does language complicate the tasks of global marketers?

2. Describe the importance of reference groups in international marketing.

3. What can marketers do to launch new products in countries that tend to resist change?

4. How do high-context cultures differ from low-context ones?

5. What are some possible issues in applying Hofstede's classification scheme in a global marketing context?

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[108]"Hard to Sell to a Billion Consumers," *Financial Times*, April 25, 2002, p. 14.

DISCUSSION QUESTIONS ◆

1. Focus group research conducted by advertising agencies like Leo Burnett shows that Asia's youngsters (the proverbial X-generation) mimic American trends, but at the same time, they are pretty conservative. Gangsta rap, for instance, is extremely popular in Malaysia. But many of the values that Asian youths hold are quite traditional: family relations, respect for elders, marriage, and so on. Discuss this seeming contradiction.

2. A recent survey in China of 400 urban children aged 7 to 12 showed that 81.3 percent dreamed of international travel, 61.9 percent wanted space travel, 60.2 percent wanted to be more beautiful, and almost 90 percent wanted to be more intelligent. Given these aspirations, what market opportunities do you see for Western companies that target China's child population?

3. What are some of the possible infrastructural roadblocks (e.g., in terms of transportation, storage) that ice cream manufacturers would face in South East Asia?

4. One of the cultural dimensions singled out by Hofstede is the individualism/collectivism distinction. What would this categorization imply in terms of setting up a sales force for international marketers? For instance, what incentive schemes might work in an individualist culture? Collectivist?

5. Countries showing strong uncertainty avoidance such as France, Germany, and Italy have witnessed a rise in the consumption of mineral water since 1970. In fact, according to one study, the correlation between mineral water consumption and the uncertainty avoidance score for 1996 was almost 0.75. What might explain the linkage between uncertainty avoidance and mineral water consumption? What other products might find opportunities in strong uncertainty avoidance countries?

6. Download the results for the 2005 Global Sex Survey results from the Durex website (http://www.durex.com/us/gss2005result.pdf). The survey interviewed more than 317,000 people from 41 countries about their sexual attitudes and behavior. According to the survey 44 percent of all adults claim to be satisfied with their sex lives. At the top of the contentment chart are lovers in Belgium (57 percent), Poland (56 percent), Netherlands (54 percent), the United States (52 percent), and Switzerland and the United Kingdom (51 percent). At the bottom of the satisfaction scale are lovers in China (22 percent), Japan (24 percent), Hong Kong (30 percent), Portugal (33 percent), Indonesia (34 percent), Israel and Italy (36 percent), and Taiwan (37 percent). What might explain these differences? Examine some of the other findings in the survey. What do they imply for Durex, one of the world's leading manufacturers of condoms?

7. Certain Muslim countries like Saudi Arabia do not allow advertisers to show a frontal picture of a woman with her hair. This creates a challenge for companies like Unilever or Procter & Gamble that want to advertise hair-care products (e.g., shampoo). How would you tackle this challenge?

8. Visit the Culturgrams website and download the free sample (www.culturgram.com/culturgram/freedownload.htm). Read the sample. What cultural differences exist between your culture and the one described in the sample? What are the similarities, if any?

9. A survey conducted by the Thailand Marketing Research Society (TMRS) among 1200 Thai youngsters (13 to 18 years) in the summer of 2002 showed that loss of "Thai identity" was picked as one of the top five most serious issues. At the same time, Thai teenagers are growing more skeptical about advertising and Western brands. What do these findings suggest for Western marketers?

SHORT CASES

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CASE 4-1

SELLING BRATZ DOLLS IN ASIA – "HOOKER CHIC" DOES NOT CATCH ON

Bratz is a range of streetwise dolls marketed by MGA Entertainment (www.mgae.com). The dolls have taken the United States and Europe by storm. Global sales in 2004 hit US$2.5 billion, compared to Barbie's $3 billion. You only need to take a stroll in any toy store in the United States or Europe to witness the impact of Bratz. Instead of Barbie's signature pink, the shelves are black and purple—the colors of Bratz. In Europe and the United States, the Barbie look is now *passé* among teenage girls in spite of an image and lifestyle makeover. Many observers of the industry wonder whether Barbie has any future left.

What made Bratz a runaway success in the United States and Europe is that Bratz dolls resonate far more strongly with today's generation of teenage girls who have grown up with MTV and lifestyle magazines like *Dolly* and *Seventeen*. Some commentators refer to the Bratz dolls' funky image as "hooker chic." Barbie, however, reflects the bygone era of 1950s Americana.

In Asia, however, the story is completely different. Bratz dolls caused some hoopla when they were first launched[109] in the region, but since then reactions have been rather muted.

Source: "Asia balks at Bratz's 'hooker chic' image," *Media*, December 16, 2005, p. 16, http://www.mgae.com.

There has been virtually no marketing since then. The success story of Bratz in Europe and the United States has so far not been replicated in Asia. There are a couple of possible causes behind Bratz failure to catch on. A range of distributors across different markets, each with inputs at the local level, has made it difficult to coordinate promotional efforts. Barbie reflects a nostalgic image of America. However, many Asian girls (and their mothers) are not familiar with Bratz. MGA may also have misjudged the Asian market. Play-patterns and role models Asian girls differ from their American and European peers. Barbie and Hello Kitty dolls still hold strong allure among Asian girls (and even women). One important factor in Asia is the mother: in Asia, it is typically the mother who buys toys. The funky image of Bratz dolls with their hip looks, heavy make-up, and short skirts might be far too risqué for mothers in Asia.

DISCUSSION QUESTIONS

1. Examine what cultural factors hindered the take-off of Bratz in Asia despite the dolls' phenomenal success in the United States and in Europe.

2. Discuss what MGA Entertainment can do to boost the sales of Bratz dolls in Asia.

CASE 4-2

SELLING VIDEO GAMES IN GERMANY

Germany has been one of the most challenging markets in Europe for game companies to penetrate. With 38 million households, Germany represents a huge opportunity for the gaming industry. But so far, the promise has been elusive. For instance, while 24 percent of UK households own a Sony PlayStation 2, merely 6 percent of German households have the console. Gerhard Florin, the head of European operations for Electronic Arts (EA), a leading game publisher, noted that: "If we could get German game-playing up to the level of the UK, Europe would become EA's largest market, even overtaking the United States. Germany is not a technological laggard: Internet usage (around 57.1 percent) is among the highest in Europe.

According to industry analysts, sociocultural factors explain the slow adoption of videogames in Germany. One important element is the low birth rate: the average German woman has 1.4 children compared to 1.6 per woman in Britain. German parents are also more strict, steering their children away from video games

Source: "Gunning for players," *Financial Times*, February 1, 2005, p. 9.

toward homework. German children tend to be older when they finally take up the hobby—starting at five-to-six compared to three-to-four for British children. There is also a strong reading culture. Mr. Florin observed that: "Germans feel they are supposed to spend their time on their education or career."

Gaming companies are trying hard to change the image of gaming in Germany. Sony is promoting a more family-friendly image. Companies also tailor their games to comply with German decency standards, among the strictest in the world. For instance, games based on World War II leave out Nazi insignia; spurting blood is changed to green, suggesting an alien has been killed rather than a human. Companies also hope that a new generation of handheld game consoles will boost the market. According to a Sony executive: "Most German parents say they don't want kids sitting in front of the TV screen playing games. But they don't mind giving them a handheld console in the back of the car."

Discuss what other marketing initiatives gaming companies can take to stimulate their sales in Germany

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